



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

AGENDA

NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION(S) OF THE ARIZONA STATE RETIREMENT SYSTEM BOARD

3300 North Central Avenue, 10th Floor Board Room
Phoenix, AZ 85012

October 24, 2014
8:30 a.m.

Pursuant to A.R.S. § 38-431.02 (F), notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Board and to the general public that the ASRS Board will hold a meeting open to the public on Friday, October 24, 2014, beginning at 8:30 a.m., in the 10th Floor Board Room of the ASRS offices at 3300 N. Central Avenue, Phoenix, Arizona 85012. Trustees of the Board may attend either in person or by telephone conference call.

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

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

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening RemarksMr. Kevin McCarthy
Board Chair
2. Approval of the Minutes of the September 26, 2014 Public Meeting and the Amended Minutes of the June 27, 2014 Public Meeting of the ASRS Board (*estimated time 1 minute to 8:36 a.m.*)
.....Mr. Kevin McCarthy

Regarding the following agenda item, notice is hereby given to Trustees of the ASRS Board and the general public that the ASRS Board may vote to go into executive session pursuant to A.R.S. § 38-797.03(B) and Mr. Lenny Tasa-Bennett's request; and according to A.R.S. § 38-431.03(A)(3) for discussion or consultation for legal advice with the attorney(s) of the public body, which will not be open to the public.

3. Approval, Modification, or Rejection of Recommended Administrative Law Judge's Decision Regarding Mr. Lenny Tasa-Bennett's Appeal for Long Term Disability (LTD) Benefits (estimated time 20 minutes to 8:56 a.m.)Ms. Jothi Beljan
Assistant Attorney General
.....Mr. Chris Munns
Attorney General, Solicitor General Section

Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(2), notice is hereby given to Trustees of the ASRS Board and the general public that the ASRS Board may vote to go into executive session, which will not be open to the public, for the purpose of discussion or consideration of records exempt by law from public inspection.

4. Presentation, Discussion, and Appropriate Action Regarding the Office of the Auditor General's ASRS Sunset Review (*estimated time 20 minutes to 9:16 a.m.*) Mr. Paul Matson
..... Mr. Tom Manos
ASRS Trustee

5. Presentation, Discussion and Appropriate Action with Respect to the Possible Implementation and Timing of the 2014 Actuarial Audit Recommendations (*estimated time 20 minutes to 9:36 a.m.*) Mr. Paul Matson
..... Mr. Charlie Chittenden
Actuary, Buck Consultants

6. Presentation, Discussion and Appropriate Action Regarding an Amendment to the Supplemental Retirement Savings Plan (*estimated time 15 minutes to 9:51 a.m.*) Mr. Nicholas Ponder
Government Relations Officer

7. Presentation, Discussion and Appropriate Action Regarding ASRS Proposed Legislation for the 2015 Legislative Session (*estimated time 20 minutes to 10:11 a.m.*) Mr. Nicholas Ponder

8. Presentation, Discussion and Appropriate Action Regarding the 2015 Board Meeting Calendar (*estimated time 5 minutes to 10.16 a.m.*) Mr. Paul Matson

9. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events (*estimated time 5 minutes to 10:21 a.m.*) Mr. Paul Matson
 - A. 2014 Compliance Report
 - B. 2014 Investments Report
 - C. 2014 Operations Report
 - D. 2014 Budget and Staffing Reports
 - E. 2014 Cash Flow Statement
 - F. 2014 Appeals Report
 - G. 2014 Employers Reporting

10. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings (*estimated time 15 minutes to 10:36 a.m.*)
 - a. Operations and Audit Committee (OAC) Mr. Jeff Tyne, Chair
The next OAC Meeting will be held on December 9, 2014
 - b. External Affairs Committee (EAC) Mr. Brian McNeal, Chair
..... Mr. Patrick Klein
The next EAC Meeting will be held on November 14, 2014
 - c. Investment Committee (IC) Mr. Tom Connelly, Chair
..... Mr. Gary Dokes
The next IC Meeting will be held on December 1, 2014

11. Board Requests for Agenda Items *(estimated time 1 minute to 10:37 a.m.)*
.....Mr. Kevin McCarthy

12. Call to the PublicMr. Kevin McCarthy

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

13. The next public ASRS Board meeting is scheduled for Friday, December 5, 2014, at 8:30 a.m., at 3300 N. Central Avenue, in the 10th Floor Board room, Phoenix, Arizona.

The balance of the meeting and possible executive session will take place in the 14th floor conference room.

Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(3), notice is hereby given to Trustees of the ASRS Board and the general public that the ASRS Board may vote to go into executive session, which will not be open to the public, for the purpose of discussion or consultation for legal advice with the attorney of the public body, which will not be open to the public.

14. Presentation and Discussion Regarding Trustee Fiduciary Education *(estimated time 30 minutes to 11:17 a.m.)*Ms. Jothi Beljan

15. Adjournment of the ASRS Board.

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

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

Dated October 17, 2014

ARIZONA STATE RETIREMENT SYSTEM

Gayle Williams Date
Board Administrator

Paul Matson Date
Director

Agenda Item #2



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MINUTES

PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, September 26, 2014
8:30 a.m., Arizona Time

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Kevin McCarthy, Chair of the ASRS Board, called the meeting to order at 8:31 a.m., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Kevin McCarthy, Chair
Mr. Mike Smarik, Vice-chair
Mr. Brian McNeil
Mr. Jeff Tyne
Mr. Marc Boatwright (via phone)
Mr. Tom Connelly
Mr. Tom Manos

Absent: Professor Dennis Hoffman
Dr. Richard Jacob

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the August 22, 2014 Public Meeting of the ASRS Board

Motion: Mr. Tom Manos moved to approve the Minutes of the August 22, 2014 Public Meeting of the ASRS Board. Mr. Jeff Tyne seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

3. Presentation, Discussion and Appropriate Action Regarding Outcomes of the ASRS Strategic Plan for Fiscal Year 2014

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer provided an overview of the Five-year Strategic Plan, approved by the Board in March, 2014. Mr. Guarino led a review of the following five plan priorities and their outcomes for the first reporting period: Ensure Plan Sustainability; Optimize Risk Management; Optimize Investment Organization and Strategies;

Ensure Outstanding Customer Service; and ensure High Productivity.

Mr. Guarino explained that the report in the meeting packet outlines objectives and performance measures of each Strategic Priority and its Outlook. The report also contains the data analysis and documented actions used by staff to assess the progress of each priority.

Mr. Paul Matson, Director, Mr. Guarino, Mr. Dave King, Assistant Director Member Services, and Ms. Sara Orozco, Manager Strategic Planning and Analysis, discussed each Strategic Priority and its Outlook.

4. Presentation, Discussion, and Appropriate Action Regarding Investment Compensation Plan

Mr. McCarthy tabled this agenda item and stated the discussion will be expanded to compensation for the Agency in general, including the impacts of Personnel Reform. These discussions will take place through an Ad Hoc Board Committee chaired by Mr. Tom Manos. Other Trustees on the Committee will be Mr. Tom Connelly, Professor Dennis Hoffman, Mr. Brian McNeil, and Mr. McCarthy.

The Committee will bring their discussion and their recommendations to the full Board.

5. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events

Mr. Matson asked Mr. Kent Smith to provide an update of the call center phone problems of late. Mr. Smith reported the ASRS worked with AZNET and the cause of the problem has been identified as a bad hardware drive. AZNET will work with the ASRS to replace that drive.

6. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings

a. Operations and Audit Committee (OAC)

Mr. Jeff Tyne, said the next OAC meeting will be held on October 7, 2014 at 10:30 a.m. in the 14th floor conference room.

b. External Affairs Committee (EAC)

Mr. Brian McNeil said the next EAC meeting will be held on October 6, 2014 at 10:30 a.m. in the 14th floor conference room.

c. Investment Committee (IC)

Mr. Tom Connelly, Chair, said the next IC meeting, held on October 20, 2014 at 2:30 p.m. in the 14th floor conference room.

7. Board Requests for Agenda Items

No requests were made.

8. Call to the Public

No members of the public requested to speak.

9. The next ASRS Board meeting is scheduled for Friday, October 24, 2014, at 8:30 a.m., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

10. Adjournment of the ASRS Board

Mr. Kevin McCarthy adjourned the September 26, 2014, Board meeting at 10:32 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Gayle Williams
Board Administrator

Date

Paul Matson
Director

Date

DRAFT



ARIZONA STATE RETIREMENT SYSTEM

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

*Paul Matson
Director*

AMENDED MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**Friday, June 27, 2014
8:30 a.m., Arizona Time**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Tom Manos, Chair of the ASRS Board, called the meeting to order at 8:33 a.m., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Tom Manos, Chair
Mr. Mike Smarik, Vice-chair
Mr. Brian McNeil
Professor Dennis Hoffman
Mr. Jeff Tyne
Dr. Richard Jacob
Mr. Tom Connelly

Absent: Mr. Kevin McCarthy
Mr. Marc Boatwright

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the May 23, 2014 Public Meeting and Executive Session of the ASRS Board

Motion: Professor Dennis Hoffman moved to approve the Minutes of the May 23, 2014 Public Meeting and Executive Session of the ASRS Board. Mr. Tom Connelly seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

3. Approval, Modification, or Rejection of Administrative Law Judge's Recommended Decision Regarding Ms. Alice Schireman's Appeal of Survivor Benefits

Ms. Diana Day, Assistant Attorney General, Solicitor General Section, was present for agenda items #3, #4 and #5, to provide legal advice to the Board, if requested.

Mr. Charles Grube, Assistant Attorney General, Senior Agency Counsel, provided an explanation of Ms. Alice Schireman's appeal, stating Ms. Schireman appealed the denial of survivor benefits on the account of her husband, Mr. Alvin Schireman, after ASRS staff determined there were no remaining

benefits payable. The appeal was heard by the Office of Administrative Hearings, which upheld the Director's determination that there were no survivor benefits payable on Mr. Alvin Schireman's ASRS account. Mr. Grube explained to the Board their options of: 1) accepting the ruling of the Administrative Law Judge, 2) rejecting the ruling of the Administrative Law Judge, or 3) modifying the ruling of the Administrative Law Judge.

Ms. Schireman addressed the Board telephonically regarding her appeal. Mr. Manos asked the Board for further questions regarding the appeal; but there were none.

Motion: Mr. Tom Connelly moved to accept the ruling of the Administrative Law Judge to uphold the ASRS Director's determination that there were no survivor benefits payable on Mr. Alvin Schireman's ASRS account. Professor Dennis Hoffman seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

4. Approval, Modification, or Rejection of Administrative Law Judge's Recommended Decision Regarding Mr. Arthur Gross' Appeal of His Calculated Retirement Benefit

Mr. Grube, summarized the appeal of Mr. Gross, stating the appeal was regarding Mr. Gross' retirement benefit calculation. Mr. Gross believed the ASRS should utilize only his most recent eleven months of earned salary in his benefit calculation and not salary data associated with his purchase of previous service.

A secondary issue arose during the course of the appeal when the ASRS discovered it had mistakenly calculated Mr. Gross' retirement benefit utilizing a thirty-six month calculation based on Mr. Gross' most recent membership date instead of the appropriate sixty month calculation. The ASRS discovered a solution to this secondary issue which would allow Mr. Gross a thirty-six month calculation, rendering a higher retirement benefit. Mr. Grube then explained the Board's options.

Mr. Gross addressed the Board stating he originally had a question regarding the method used to calculate his average monthly salary and then praised staff for responding to his questions and explaining and clarifying the process to him. Mr. Gross asked the Board to accept the staff-offered solution, which is a modification to the Administrative Law Judge's decision.

Ms. Jenna Orozco responded to Trustee questions and explained the staff-offered solution. Ms. Orozco explained the ASRS could offer Mr. Gross an increased benefit by reallocating his service purchase of Other Public Service to the purchase of his Forfeited Service instead. This method would increase his overall service and also allow the ASRS to calculate his benefit based on a thirty-six month calculation.

~~**Motion:** Dr. Richard Jacob moved to accept modification of the Administrative Law Judge ruling based on Mr. Gross' current service credit with the ASRS. Mr. Gross' current earned service credit is April 12, 2013 through February 18, 2014, with the Arizona Department of Corrections as noted in ASRS Exhibit U which makes Mr. Gross eligible for an average monthly compensation calculation pursuant to A.R.S. § 38-711(5)(c), the definition applicable to post July 1, 2011 ASRS members. Mr. Gross is not eligible for an average monthly compensation pursuant to A.R.S. § 38-711(5)(a) because he currently has reinstated ASRS service credit from February 1986 through July 1990, as noted in the hearing transcript, page 27, lines 22-25 and page 28, lines 1-17, not pre-January 1984 forfeited service as required by A.R.S. § 38-711(5)(a). Mr. Mike Smarik seconded the motion.~~

Motion: Dr. Richard Jacob moved that the Board accept the ruling of the Administrative Law Judge with the alteration as suggested by staff. Mr. Mike Smarik seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

5. Approval, Modification, or Rejection of Administrative Law Judge's Recommended Decision Regarding Mr. Adam Morris' Appeal of Requested Contributions Not Withheld

Mr. Grube explained Mr. Morris' appeal. Mr. Morris contacted the ASRS about receiving ASRS service credit and associated benefits for his employment period with Glendale Elementary School District. The ASRS issued Contributions Not Withheld (CNW) invoices for some of the time and Mr. Morris appealed, requesting to purchase the remainder of the time. Because neither Mr. Morris nor the District were able to supply records to substantiate Mr. Morris' hours, the ASRS declined the additional service purchase. The appeal was heard by the Office of Administrative Hearings, which upheld the Director's determination there was insufficient documentation to issue additional CNW invoices. The Judge noted in Conclusion of Law No. 6 the ASRS method in determining CNWs was favorable to the Appellant. Mr. Grube then explained the Board's options.

Neither Mr. Morris nor a representative were present at the Board meeting. There were no questions from the Trustees.

Motion: Professor Dennis Hoffman moved to accept the ruling of the Administrative Law Judge to uphold the ASRS Director's determination there was insufficient documentation to issue additional CNW invoices. Mr. Brian McNeil seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

6. Presentation, Discussion and Appropriate Action Regarding the Actuarial Audits of the
a. Pension Plan and Health Benefit Supplement Program
b. Long Term Disability (LTD) Plan
c. System

Mr. Paul Matson, Director, introduced the item by explaining the ASRS conducts an actuarial audit every five years. The most recent audit of the June 30, 2013 actuarial valuations was completed by Gabriel Roeder Smith & Company (GRS). Mr. Ryan Falls, Senior Consultant & Actuary, GRS, explained their audit process and presented their findings. Additionally, Mr. Charlie Chittenden, Buck Consultants, the contracted ASRS Actuary, provided Buck's response to the audit.

The Audit Summary of Findings was: "Based on our review of the census data, experience study documents, liability replication, liability calculations for a sample of members, and the actuarial valuation reports, we believe the June 30, 2013 actuarial valuations of the ASRS retirement programs are reasonable, are based on appropriate assumptions and methods, and the reports generally comply with the Actuarial Standards of Practice."

Mr. Falls offered his recommendations, stating the ASRS has very sound actuarial valuations and appropriate assumptions. Mr. Falls, Mr. Chittenden and Mr. Matson answered questions from the Trustees regarding the recommendations.

Mr. Matson outlined further Board meeting discussions, stating that at a meeting before this November, when the June 30, 2014 actuarial valuation is presented, the Board will discuss the audit recommendations and the implementation time frame. Mr. Matson indicated that several pro forma analyses would likely be presented including PUC vs. EAN.

7. Presentation, Discussion, and Appropriate Action Regarding ASRS Investment Program Updates

Mr. Gary Dokes, Chief Investment Officer, addressed the Board regarding ASRS investment program updates for the period ending May 31, 2014, highlighting specific areas of interest and concern. Mr. Dokes presented information on the following items: ASRS Fund Positioning, IMD Investment House Views – June 2014, Asset Class Committee Activities, Tactical Portfolio Positioning, Strategic Asset Allocation (SAA) Policy Implementation, IMD Projects, and Research and Initiatives.

8. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring, and Oversight of the ASRS Investment Program Q1/2014

Mr. Allan Martin, Consultant, NEPC, addressed the Board regarding NEPC’s independent reporting, monitoring, and oversight of the ASRS Investment Program including Total Fund performance through March 31, 2014.

The Total Fund Performance for the period ending March 31, 2014 is:

	Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception (6/30/75)
Total Fund	2.3%	13.8%	9.6%	15.9%	7.0%	10.0%
Interim SAA Policy*	2.4%	13.9%	9.5%	15.7%	6.9%	9.8%
Excess Return	-0.1%	-0.1%	0.1%	0.2%	0.1%	0.2%

*Interim SAA Policy: 25% S&P 500/5% S&P 400/5% S&P 600/14% MSCI EAFE/3% MSCI EAFE Small Cap/6% MSCI, Emerging Markets/6% Russell 2000 (lagged one quarter)/15% Barclays Capital Aggregate/5% Barclays Capital High, Yield/4% JP Morgan GBI-EM Global Diversified/2% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter)/6% NCREIF ODCE (lagged one quarter)/4% Dow Jones/UBS Commodities Index,

Note: Interim SAA Policy includes a proration of 1% Private Equity, 1% Private Debt, and 2% Real Estate, which are unfunded. Private Equity was prorated to domestic equity; Real Estate was prorated to domestic equity and fixed income; Private Debt was prorated to fixed income.

9. Presentation, Discussion, and Appropriate Action Regarding Board Elections

Mr. Tom Manos introduced the item, reminding Trustees the Board Governance Policy Handbook requires an annual election of the Board Chair and Vice-chair. Mr. Manos stated he came to the decision not to remain Chair, believing it is good governance for the Chair and Vice-chair to rotate occasionally. Mr. Manos said that in the three years he has been Chair, he has been more than satisfied with some of the changes the Board has made.

Motion: Mr. Tom Manos moved to nominate Mr. Kevin McCarthy as ASRS Board Chair with his term to begin July 1, 2014. Mr. Mike Smarik seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

Motion: Mr. Tom Connelly moved to nominate Mr. Mike Smarik to continue serving as ASRS Board Vice-chair. Professor Dennis Hoffman seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, and 2 excused, the motion was approved.

10. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events

Mr. Matson commented the ASRS is restructuring the Securities Lending Program and stated that after taking ourselves out of the market because of the previous potential risks, staff created a program structure with a lower risk profile.

Mr. Matson also commented on the ASRS cash flow and how staff monitors both the internal and external cash flows, each of which is approximately -3% of total fund value. He also stated he is pleased, based upon the CIO's report, to see that staff is aware of the need for very efficient cash management.

The last item Mr. Matson discussed was the Sunset Audit currently being conducted by the Arizona Office of the Auditor General. The audit field work is expected to be completed by December, 2014, with the final report expected approximately May of 2015. The key audited areas include the financial condition of the ASRS, the sustainability of the ASRS, the Investment Management Program, as well as stakeholder inquiries which include salary spiking and the Investment Management Incentive Compensation Program.

Mr. Brian McNeil referenced the Employers Reporting memo in the Director's report and asked about the bankruptcy collection process for ASRS Employers. Mr. Matson said the State Treasurers Office is used for the collection process but often with small employers there is insufficient money for collection. Mr. Matson will follow up with Mr. McNeil on the ASRS priority standing as a payee in the collection process for employers.

11. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings

a. Operations and Audit Committee (OAC)

Mr. Jeff Tyne, Chair, said the next OAC meeting will be held on August 12, 2014. Agenda items will include risk management discussions of the IT security audit, the FY16 budget and a review of audits from the Internal Audit Division.

b. External Affairs Committee (EAC)

Mr. Tom Manos said the next EAC meeting will be held on September 12, 2014.

c. Investment Committee (IC)

Mr. Tom Connelly, Chair, said the next IC meeting, held on August 18, 2014, will begin at 1 p.m. to provide ample time for a roundtable of outside speakers discussing possible alternative sources of investment returns.

12. Board Requests for Agenda Items

No requests were made.

13. Call to the Public

No members of the public requested to speak.

Agenda Item #3



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Kevin McCarthy, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director
Ms. Jothi Beljan, Assistant Attorney General

DATE: October 10, 2014

RE: **Agenda Item #3:** Approval, Modification, or Rejection of Recommended Administrative Law Judge's Decision Regarding Mr. Lenny Tasa-Bennett's Appeal for Long Term Disability (LTD) Benefits

Purpose

To approve, modify or reject the Administrative Law Judge's ruling to uphold the Director's determination that Lenny Tasa-Bennett is denied ASRS LTD benefits effective January 1, 2012.

Facts of the Case

- An ASRS member is disabled and eligible for LTD benefits during the first thirty months of a period of disability if the "member is unable to perform all the duties of the position held by the member when the member became totally disabled." A.R.S. § 38-797.07(11)(a).
- Mr. Tasa-Bennett became disabled on December 10, 2007, and began receiving ASRS LTD benefits effective June 10, 2008. Monthly LTD benefits are not payable until a member has been totally disabled for a period of six consecutive months pursuant to A.R.S. § 38-797.07(A)(3).
- After a member has received monthly LTD benefits for twenty-four months, the member is considered disabled and eligible to continue receiving LTD benefits if the member is unable to perform work for which the member is qualified by education and experience and that is at least equal to the member's monthly LTD benefit amount as supported by objective medical evidence. A.R.S. §38-797.07(11)(b).
- The ASRS LTD vendor Sedgwick determined in February 2012, that Mr. Tasa-Bennett was no longer disabled after twenty-four months of receiving benefits because his medical documentation did not support that he was unable to perform any occupation and that he was deemed to be able to earn an amount equal to his LTD benefit based on his work capacity, educational background and job skills. Sedgwick notified Mr. Tasa-Bennett in February 2012 that he was no longer eligible for ASRS LTD benefits effective January 1, 2012.
- In March 2012, Mr. Tasa-Bennett appealed the determination to Sedgwick.
- In April 2012, Sedgwick scheduled two Independent medical records reviews with Board certified specialists in Neurology and in Orthopedic Surgery. Each assessment indicated that Mr. Tasa-Bennett's condition would not prevent him from performing any occupation for which he was qualified by education, training, or experience.

- In April 2012, Sedgwick upheld its February 2012 denial of continuation of LTD benefits to Mr. Tasa-Bennett.
- In July 2012, Mr. Tasa-Bennett appealed the Sedgwick denial to the ASRS Director. In March 2014, the ASRS facilitated three independent medical records reviews with Board certified specialists in psychiatry, neurology, and orthopedic surgery.
- In June 2014, the ASRS issued a Director Decision upholding the Sedgwick determination that Mr. Tasa-Bennett was no longer statutorily disabled effective January 1, 2012. Mr. Tasa-Bennett appealed to the ASRS Board of Trustees and requested an administrative hearing which was held on August 18, 2014.
- In her Recommended Decision dated September 29, 2014, Administrative Law Judge Tammy Eigenheer upheld the ASRS Director's determination and denied Mr. Tasa Bennett's appeal. The Recommended Decision, Conclusion of Law No. 9 states, "The evidence and testimony presented at hearing established overwhelmingly that Appellant does not meet the statutory definition of being totally disabled for the purpose of receiving continued LTD benefits under A.R.S. § 38-797.07(A)(11)(b). Therefore, A.R.S. § 38-797.07(A)(7)(a) requires that his benefits be discontinued. Appellant's LTD benefits were properly discontinued as of January 1, 2012."

Board Options

Option 1*: The Board may accept the ruling of the Administrative Law Judge.

Option 2: The Board may reject the ruling of the Administrative Law Judge.

Option 3: The Board may modify the ruling of the Administrative Law Judge.

*Staff Perspective

Agenda Item #4



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director

DATE: October 14, 2014

RE: **Agenda Item #4:** Presentation, Discussion, and Appropriate Action Regarding the Office of the Auditor General's ASRS Sunset Review

Purpose

The Office of the Auditor General will provide an update regarding the ongoing sunset review.

Recommendation

Information item only; no action required.

Background

Arizona Revised Statute §41-2951 has established a sunset review process to ensure state agencies, boards and commissions are meeting statutory responsibilities, operating efficiently and effectively, and should continue operations. Most sunset reviews are conducted once every 10 years. The last sunset review report for the Arizona State Retirement System (ASRS) was issued in September 2005.

In October 2013, the Joint Legislative Audit Committee assigned the sunset review of the ASRS to the Office of the Auditor General (OAG). The review is currently underway and will result in a publically released report which is due to the Legislature by October 1, 2015.

If no legislative action is taken, the ASRS will sunset on July 1, 2016.

As a part of the audit, the OAG auditors review state statutes, administrative rules, policies, procedures, and analyze ASRS records and data. Additionally, the OAG conducts interviews and obtains criteria from other states, best practices, and literature. The OAG will make recommendations for improvements and identify best practices, as appropriate.

The OAG offered to provide the Board an update regarding the sunset review. The OAG conducts Board updates in Executive Session.

Agenda Item #5

Materials are currently not available for this item and will be provided when they become available.

Agenda Item #6



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director
Mr. Nick Ponder, Government Relations Officer

DATE: October 14, 2014

RE: **Agenda Item #6:** Presentation, Discussion and Appropriate Action Regarding an Amendment to the Supplemental Retirement Savings Plan

Purpose

To present the Sixth Amended and Restated SRSP Plan Statement for Board approval.

Recommendation

Adopt the Sixth Amended and Restated Plan Statement effective October 25, 2013.

Sixth Amended and Restated Plan Statement

This Sixth Amended and Restated Plan Statement incorporates changes made by the First, Second, and Third Amendments to the Fifth Amended and Restated Plan Statement and makes other changes required by the Internal Revenue Service as a condition to the issuance of the Favorable Determination Letter that the ASRS received in July 2014. A Determination Letter means that the plan is qualified to accept pre-tax contributions.

Specifically, the Amendment requires that a participant request or receive a distribution by December 31 of the year the member attains age 70½, or the date the participant retires, if later. In all circumstances, the SRSP shall make a distribution no later than the following April 1.

Detail of changes:

7.2.2. **Required Beginning Date.**

- (a) **Participant.** If the Distributee is a Participant, the required beginning date is the December 31 of the calendar year in which the Participant attains age seventy and one-half (70-1/2) years, or the date the Participant retires, if later. ~~the Participant's termination of employment with his Employer, if later.~~ Actual distribution shall be made as soon thereafter as is administratively feasible. In all events, distribution shall be made not later than the following April 1.

**FIRST AMENDMENT TO
ARIZONA STATE RETIREMENT SYSTEM
SUPPLEMENTAL RETIREMENT SAVINGS PLAN
SIXTH AMENDED AND RESTATED PLAN STATEMENT
EFFECTIVE OCTOBER 25, 2013**

WHEREAS, the Arizona State Retirement System (“ASRS”), has adopted the ASRS Supplemental Retirement Savings Plan Sixth Amended and Restated Plan Statement (the “Plan”), effective October 25, 2013; and

WHEREAS, ASRS is authorized, pursuant to Section 9.1 of the Plan, to adopt amendments to the Plan; and

WHEREAS, the Internal Revenue Service has requested an amendment be made to the Plan and ASRS has determined that it is in the best interest of the Plan and its participants to amend the Plan to assure the Plan’s successful operation and administration;

NOW, THEREFORE, pursuant to the authority granted in Section 9.1 of the Plan, the following amendment is adopted, effective October 25, 2013.

1. Section 7.2.2(a) is amended in its entirety to read as follows:

“(a) **Participant.** If the Distributee is a Participant, the required beginning date is the December 31 of the calendar year in which the Participant attains age seventy and one-half (70-1/2) years, or the date the Participant retires, if later. Actual distribution shall be made as soon thereafter as is administratively feasible. In all events, distribution shall be made not later than the following April 1.”

2. Nothing in this First Amendment shall be construed to adversely affect the rights of any Participant to any benefit provided under the Plan or to decrease any accrued benefit under the Plan, except to the extent permitted under the Code or necessary to maintain the Plan as one qualified under Section 401(a) of the Code.

IN WITNESS WHEREOF, the ASRS Board has caused this First Amendment to be executed this ____ day of _____, 2014.

ARIZONA STATE RETIREMENT SYSTEM

By _____

Title _____

Agenda Item #7



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director
Mr. Patrick Klein, Assistant Director, External Affairs
Mr. Nick Ponder, Government Relations Officer

DATE: October 14, 2014

RE: **Agenda Item #7:** Presentation, Discussion and Appropriate Action Regarding ASRS Proposed Legislation for the 2015 Legislative Session

Purpose

To discuss potential ASRS 2015 legislative initiatives.

Recommendation

Recommend approving the 2015 legislative initiatives.

Background

During the summer, the External Affairs Division (EAD) received legislative suggestions from ASRS staff and Trustees concerning plan design issues; plan inefficiencies, inconsistencies, and inequities; administrative concerns; and others. The EAD researched and discussed each suggestion in conjunction with Trustees, Executive Management, and other internal staff. Staff first presented the legislative package at the October 6, 2014 External Affairs Committee (EAC) meeting and revised it based on the discussion and subsequent feedback. The EAC recommended the Board approve the package at its October 24, 2014 meeting. Staff is now seeking approval by the full ASRS Board.

2015 LEGISLATIVE SUGGESTIONS

STATUTE: 38-783(G)

PROPOSED BY: External Tax Counsel

PROPOSAL: Federal conforming language required by the IRS regarding our 401(h) account and the health benefit supplement.

38-783. Retired members; dependents; health insurance; premium payment; separate account; definitions

G. Payment of the benefits provided by this section is subject to the following conditions:

1. The payment of the benefits is subordinate to the payment of retirement benefits payable by ASRS.
2. The total of contributions for the benefits and actual contributions for life insurance protection, if any, shall not exceed twenty-five per cent of the total actual employer and employee contributions to ASRS, less contributions to fund past service credits, after the day the account is established.
3. The board shall deposit the benefits provided by this section in the account.
4. The contributions by the employer to the account shall be reasonable and ascertainable.

5. IF A MEMBER WHO IS ELIGIBLE FOR BENEFITS PROVIDED BY THIS SECTION FORFEITS HIS INTEREST IN THE ACCOUNT PRIOR TO THE TERMINATION OF ASRS, AN AMOUNT EQUAL TO THE AMOUNT OF THE FORFEITURE WILL BE APPLIED AS SOON AS POSSIBLE TO REDUCE EMPLOYER CONTRIBUTIONS TO FUND THE BENEFITS PROVIDED BY THIS SECTION.

This bill would be applied retroactively from and after July 1, 2013. Generally, the IRS requests that an amendment be effective as of the first day of the plan year in which the application for a Favorable Determination Letter (FDL) was filed unless there are compelling reasons to choose a different date. In this particular case, the application for a FDL was filed in January 2014 making the first day of the plan year July 1, 2013.

2015 LEGISLATIVE SUGGESTIONS

STATUTE: 38-797.07

PROPOSED BY: Sedgwick

PROPOSAL: Remove the word “total” from our long term disability statutes when written prior to the term disability. The statutory definition only refers to the inability of a member to do his or her own occupation initially, then any occupation subsequently.

38-797.07. LTD program benefits; limitations; definitions

A. The LTD program is subject to the following limitations:

1. Except as provided in paragraph 9 of this subsection, monthly LTD program benefits shall not exceed two-thirds of a member's monthly compensation, reduced by:

(f) All of any payments for a veteran's disability if both of the following apply:

(i) The veteran's disability payment is for the same condition or a condition related to the condition currently causing the member's ~~total~~ disability.

3. Monthly LTD program benefits are not payable until a member has had a ~~total~~ disability for a period of six consecutive months.

7. Monthly LTD program benefits cease to be payable to a member at the earliest of the following:

(a) The date the member ceases to have a ~~total~~ disability.

11. A member shall be considered to have a ~~total~~ disability if based on objective medical evidence:

(a) During the first thirty months of a period of disability, the member is unable to perform all duties of the position held by the member when the member developed a ~~total~~ disability.

2015 LEGISLATIVE SUGGESTIONS

STATUTE: 15-1451

PROPOSED BY: Financial Services Division, External Affairs Division

PROPOSAL: Currently the statute suggests that if an ASRS member becomes an employee of a community college district and elects to join the district's Optional Retirement Plan (ORP), the ASRS must transfer all contributions from the ASRS account to the ORP.

Generally, this is not an issue and happens with some degree of frequency. However, in the singular circumstance where the ASRS member is retired, the ASRS does not have a way to determine the present value of that member's benefit and then transfer that amount over to the ORP. As a result, we have taken the position that we cannot transfer the balance of a retired member's account.

We would like to add language to the statute that restricts the ASRS to only transfer the account balance for active, inactive and disable members (excluding retired members). If a member is on LTD and joins the ORP of a community college district, under the proposed language, the member will be dropped from our LTD program.

15-1451. Optional retirement plans

D. If an employee who is a **NON-RETIRED** member of the Arizona state retirement system elects to participate in an optional retirement program pursuant to subsection C of this section, the Arizona state retirement system shall transfer the employee's contributions to the Arizona state retirement system and interest as determined by the board of the Arizona state retirement system to the optional retirement program within the later of ninety days after the election or ninety days after receipt by the optional retirement program of a favorable letter of determination issued by the United States internal revenue service. If an eligible employee fails to make an election as provided in subsection C of this section, the employee is deemed to have elected to participate in the Arizona state retirement system. The election to participate in an optional retirement program is irrevocable and constitutes a waiver of all benefits provided by the Arizona state retirement system. All eligible employees who elect to participate in an optional retirement program shall remain participants in the optional retirement program during the continuance of employment with the community college district.

STATUTE: 38-737(A)

PROPOSED BY: ASRS Director

PROPOSAL: The ASRS is requesting the ability, but not requirement, to change its actuarial valuation method. Reasons to execute this change would include: to obtain consistency with GASB 67; to obtain great consistency with other states; the ability to maintain the aforementioned consistencies if appropriate.

38-737. Employer contributions

A. Employer contributions shall be a percentage of compensation of all employees of the employers, excluding the compensation of those employees who are members of the defined contribution program administered by ASRS, as determined by the ASRS actuary pursuant to this section for June 30 of the fiscal year immediately preceding the preceding fiscal year, except that beginning with fiscal year 2001-2002 the contribution rate shall not be less than two per cent of compensation of all employees of the employers. ~~Beginning July 1, 2011, the total employer contribution shall be determined on the projected unit credit method.~~ **ON OR AFTER JUNE 30, 2016, THE ACTUARIAL VALUATION METHOD TO BE USED IN THE ANNUAL ACTUARIAL VALUATIONS OF THE PLAN WILL BE ONE OF THE GENERALLY ACCEPTED ACTUARIAL METHODS AS DETERMINED BY THE BOARD.** The total employer contributions shall be equal to the employer normal cost plus the amount required to amortize the past service funding requirement over a period that is determined by the board and consistent with generally accepted actuarial standards. In determining the past service funding period, the board shall seek to improve the funded status whenever the ASRS trust fund is less than one hundred per cent funded.

2015 LEGISLATIVE SUGGESTIONS

STATUTE: 38-703 & 38-755

PROPOSED BY: Assistant Attorney General

PROPOSAL: Remove the terms “provided in rules” and “subject to rules prescribed by the board” in both of these statutes.

38-703. Plans for coverage of employees of eligible political subdivisions; payroll audits

A. Each eligible political subdivision of this state may submit for approval by the state agency a plan for extending the benefits of title II of the social security act, in conformity with applicable provisions of the social security act, to employees of the eligible political subdivisions. The state agency shall approve each plan and any amendment of the plan if it finds that the plan or amendment of the plan is in conformity with requirements ~~provided in rules~~ of the state agency, except that a plan shall not be approved unless:

Rationale: The ASRS has no jurisdiction in this area but the Social Security Administration does. As a result, any rules that are made by the ASRS do not need to be agreed upon by the SSA. In this area the SSA provides guidance to the ASRS.

38-755. Information as to member's status; beneficiary designation; spousal consent; confidentiality

~~A. Subject to rules prescribed by the board, On application of a member, the board shall furnish information concerning the member's status. In addition, the board shall furnish to each member an account, that may be electronic or online, showing the status of the member's account, including the name of the member's beneficiary as last listed with the board.~~

A. **THE ASRS SHALL MAKE INFORMATION CONCERNING THE MEMBER'S ACCOUNT ACCESSIBLE TO THE MEMBER IN WRITTEN OR ELECTRONIC FORM. THIS INFORMATION SHALL INCLUDE, BUT NOT BE LIMITED TO, THE MEMBER'S CURRENT ACCOUNT BALANCE, CONTACT INFORMATION, BENEFICIARY ELECTION, ESTIMATED RETIREMENT DATE, AND ESTIMATED BENEFIT AMOUNT.**

Rationale: The agency has been transitioning everything towards online use and as we are all aware technology systems are always modernizing and changing. The time-consuming rules process does not tend to coexist with the technology process and thus hampering an agency with the requirement of a rule does not seem necessary.

2015 LEGISLATIVE SUGGESTIONS

STATUTE: 38-797.10

PROPOSED BY: Assistant Attorney General

PROPOSAL: Exempt the ASRS from “bad faith” claims as they relate to our LTD program. ERISA plans are protected from bad faith claims and because we use ERISA as guidance for our plan in many circumstances we would like a similar protection.

(Below is the current language in our statute. We are working with Jothi and outside counsel to determine how our statute would need to be modified.)

38-797.10. Assurances and liabilities

D. Neither the employers, the board nor any member of the board guarantees the LTD trust fund established by section 38-797.02 in any manner against loss or depreciation, and they are not liable for any act or failure to act that is made in good faith pursuant to this article. The employers are not responsible for any act or failure to act of the board or any member of the board. Neither the board nor any member of the board is responsible for any act or failure to act of any employer.

F. NOTHING CONTAINED IN THIS ARTICLE IS INTENDED TO PROVIDE ANY PRIVATE RIGHT OR CAUSE OF ACTION TO OR ON BEHALF OF ANY MEMBER OR EMPLOYER, AND THERE SHALL BE NO LIABILITY ON THE PART OF ASRS, THE BOARD NOR ANY MEMBER OF THE BOARD, OR AGENTS AND EMPLOYEES OF ASRS OR THE BOARD, FOR ANY ACTION TAKEN IN THE PERFORMANCE OF THEIR POWERS AND DUTIES PURSUANT TO THIS ARTICLE.

Agenda Item #8



ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director

DATE: October 14, 2014

RE: **Agenda Item #8:** Presentation, Discussion and Appropriate Action Regarding the 2015 Board Meeting Calendar

Purpose

To obtain Board approval of the 2015 Board meeting schedule.

Recommendation

Staff recommends approval of one of the proposed 2015 Board meeting schedules (see attachments).

Background

There are two calendar options being presented for the Board's consideration:

- Schedule all 2015 Board meetings on the **4th Friday** of the month, with the November meeting being moved to the first week in December.
 - No meetings will be held in November or July.
- Schedule all 2015 Board meetings on the **last Friday** of the month, with the November meeting being moved to the first week in December.
 - No meetings will be held in November or July.
 - This schedule would move the January, May, and October meeting to be one week later. This schedule would provide staff who gather materials for the Directors Report extra days to gather performance data for the prior month.

Staff has no strong preference for either schedule and can accommodate either, or an alternate schedule, if the board would prefer.

2015 Calendar (option 1)

January

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

February

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

March

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

April

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

May

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

June

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

July

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

August

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

September

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

October

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

November

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

December

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

2015 Board Meeting Dates ((4th Friday) (No meeting July and November)

January 23	February 27	March 27	April 24	May 22	June 26	August 28	September 25	October 23	December 4
------------	-------------	----------	----------	--------	---------	-----------	--------------	------------	------------

2015 Calendar (option 2)

January

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

February

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

March

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

April

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

May

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

June

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

July

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

August

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

September

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

October

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

November

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

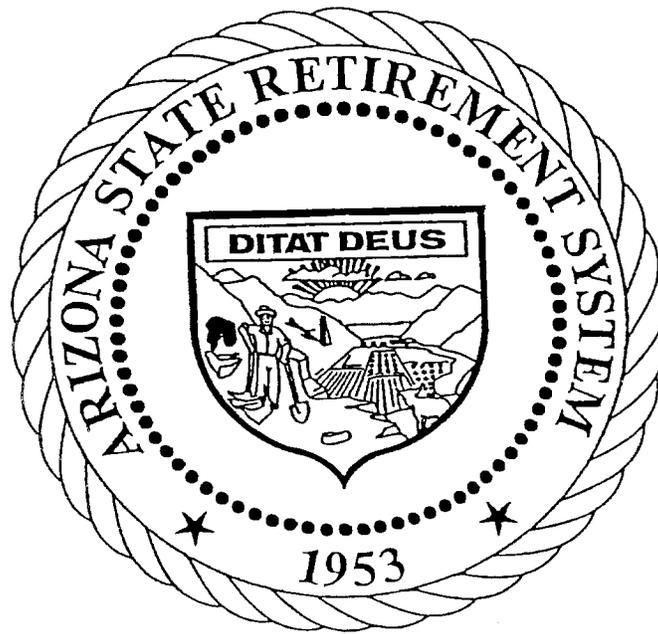
December

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

2015 Board Meeting Dates are the LAST Friday of the month (4th Friday except January, May, October which are the 5th Friday)
(No meeting July and November)

January 30	February 27	March 27	April 24	May 29	June 26	August 28	September 25	October 30	December 4
------------	-------------	----------	----------	--------	---------	-----------	--------------	------------	------------

Director's Report Audit





ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director
Mr. Bernard Glick, Chief Internal Auditor

DATE: October 14, 2014

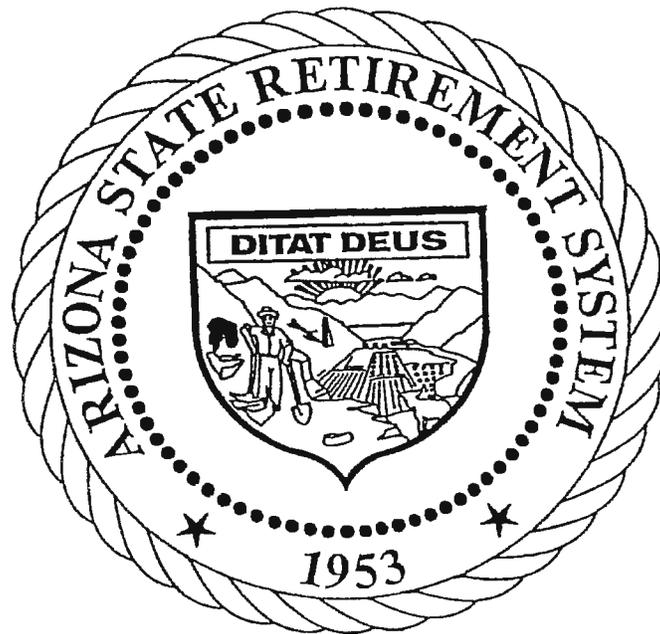
RE: Internal Audit Review of Internal Investment Validation for the month ending September 30, 2014

The Internal Audit Division reviewed 2,238 trade transactions in the month of September on all the activity in the E2, E3, E4, E6, E7, E8, E9 and F2 accounts. Our review included:

- Determining that the transaction was properly approved.
- Reviewing the transaction for mathematical accuracy.
- Ensuring that the description and ticker symbol matched the CUSIP number.
- Reconciliation of transaction from trade ticket to custody bank transaction download.
- Other tests that we deemed appropriate.

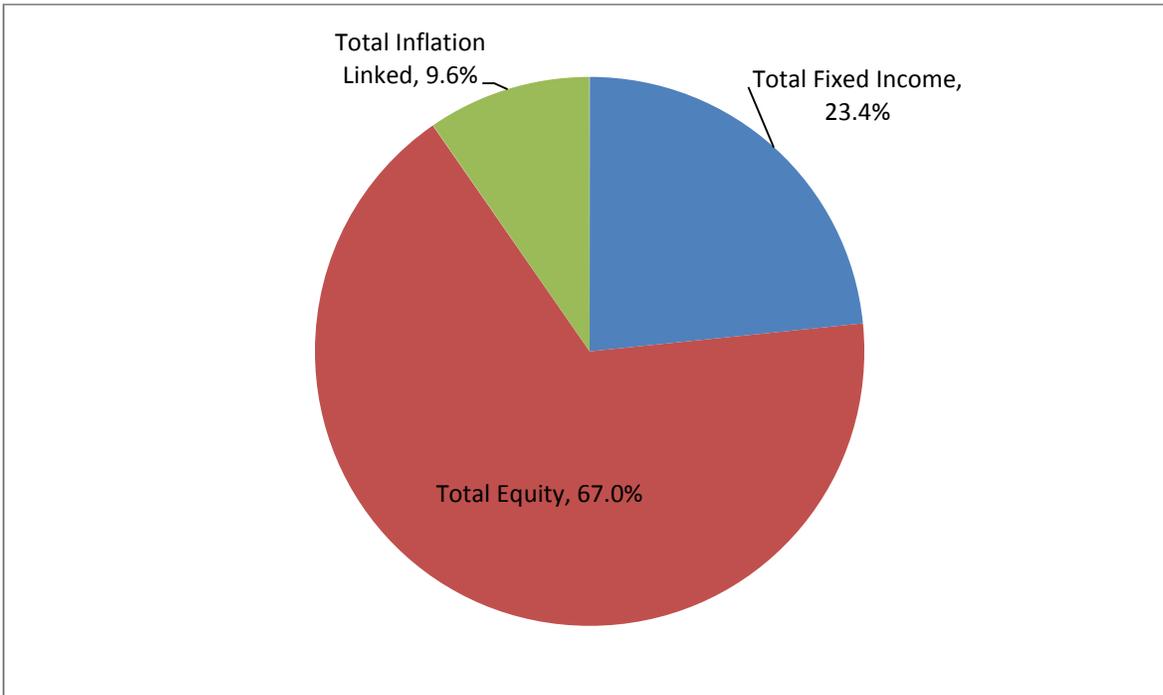
No infractions were noted during our review. Based on this review, we believe the procedures for executing and reporting internal investment transactions have been followed for this time reportable period.

Director's Report Investments

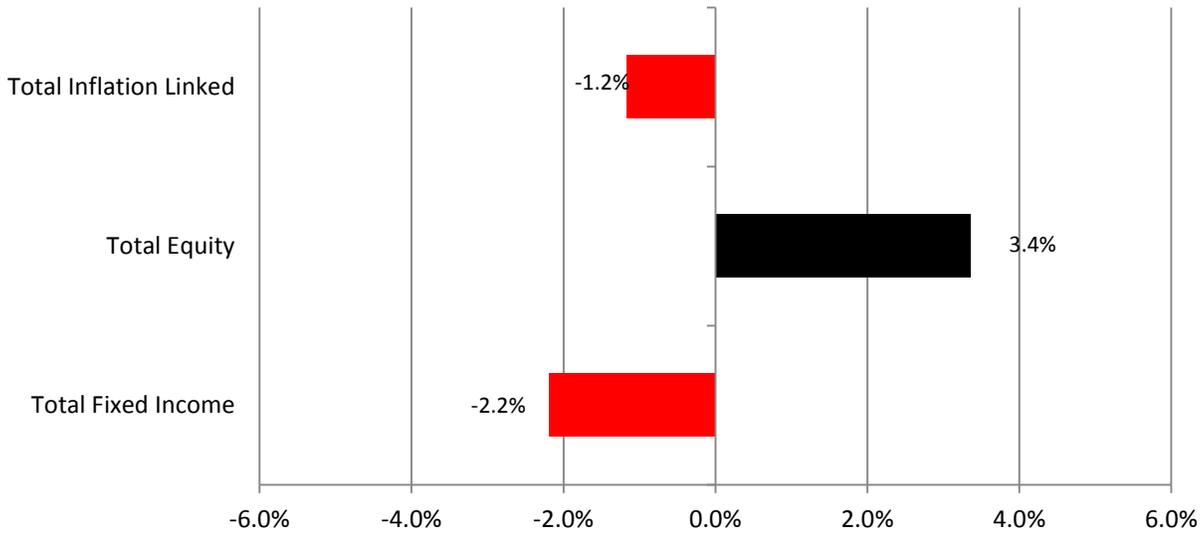


TOTAL FUND POSITIONING – 9/30/14

ACTUAL PORTFOLIO



ACTUAL PORTFOLIO (ASSUMED GTAA ALLOCATION VS. ADJUSTED SAA POLICY *)



*Real Estate and Private Equity actual weight is equal to policy weight during the implementation of the asset class.

*Over/Underweights include both GTAA positions as well as IMD tactical considerations.

Note: Opportunistic & Private Debt, Opportunistic Private Equity, Farmland & Timber, Real Estate and Private Equity market values are reported on a quarter-lag and adjusted to include the current quarter's cash flows. Within the Assumed GTAA Allocation vs. Adjusted SAA Policy chart, Real Estate was prorated to domestic equity, international equity and fixed income. Private Equity was prorated to domestic equity.

Pension (Plan, System, HBS Assets) ASRS Market Value Report As of: Tuesday, September 30, 2014

Account Manager	Account Manager Style	Fixed Income		Equity		Inflation Linked		Total	Pct of Fund
		Active	Enh/Passive	Active	Enh/Passive	Active	Enh/Passive		
State Street B&T: Boston	Master Cash & Pension Acct.		331,490,228					331,490,228	0.98%
	Cash Total							\$331,490,228	0.98%
GTAAs Managers (2)	Active GTAA	1,030,141,661						1,030,141,661	3.05%
Blackrock: San Francisco	Passive (Intermediate Gov Credit)		23,882,665					23,882,665	0.07%
ASRS: Phoenix	Enhanced Passive F2		1,853,745,813					1,853,745,813	5.49%
Blackrock: San Francisco	Passive (US Debt Index)		713,794,497					713,794,497	2.12%
	Core Fixed Income Total							\$3,621,564,637	10.73%
	Core Fixed Income Policy								13.00%
Columbia: Minneapolis	Active	637,443,615						637,443,615	1.89%
JP Morgan: Indianapolis	Active	324,652,051						324,652,051	0.96%
	High Yield Fixed Income Total							\$962,109,421	2.85%
	High Yield Fixed Income Policy								5.00%
	US Fixed Income Total							\$4,583,674,058	13.58%
	US Fixed Income Policy Range: 8% - 28%								18.00%
PIMCO (local): Newport Beach	Active	332,833,994						332,833,994	0.99%
Ashmore (blended): London	Active	402,415,871						402,415,871	1.19%
	EM Debt Total							\$735,249,864	2.18%
	EM Debt Policy								4.00%
	Opportunistic Debt							\$1,024,479,723	3.04%
	Opportunistic Debt Policy Range: 0% - 10%								0.00%
	Private Debt Total							\$1,212,597,914	3.59%
	Private Debt Policy								3.00%
	Fixed Income Total							\$7,887,491,787	23.37%
	Fixed Income Policy Range: 15% - 35%								25.00%
Intech: FL	Active (Growth)			470,079,956				470,079,956	1.39%
LSV: Chicago	Active (Value)			798,510,568				798,510,568	2.37%
GTAAs Managers (2)	Active GTAA		1,172,566,285					1,172,566,285	3.47%
ASRS: Phoenix	Passive E2				4,938,827,474			4,938,827,474	14.64%
ASRS: Phoenix	Enhanced Passive E7				773,982,350			773,982,350	2.29%
ASRS: Phoenix	Enhanced Passive E8				501,116,393			501,116,393	1.49%
ASRS: Phoenix	Risk Factor Portfolio				517,200,713			517,200,713	1.53%
	Large Cap Equity Total							\$9,172,321,150	27.18%
	Large Cap Policy								23.00%
Wellington: Boston	Active (Core)			400,583,445				400,583,445	1.19%
CRM: New York	Active (Value)			98,085,114				98,085,114	0.29%
ASRS: Phoenix	Passive E3 (Growth)				488,775,845			488,775,845	1.45%
ASRS: Phoenix	Passive E4 (Value)				498,522,341			498,522,341	1.48%
	Mid Cap Equity Total							\$1,485,966,745	4.40%
	Mid Cap Policy								5.00%
TimesSquare: New York	Active SMID (Growth)			436,438,016				436,438,016	1.29%
DFA: Santa Monica	Active (Value)			376,766,167				376,766,167	1.12%
Champlain: Vermont	Active (Core)			86,912,439				86,912,439	0.26%
ASRS: Phoenix	Passive E6				451,373,344			451,373,344	1.34%
	Small Cap Equity Total							\$1,351,489,966	4.01%
	Small Cap Policy								5.00%
	U.S. Equity Total							\$12,009,777,861	35.59%
	US Equity Policy Range: 26% - 38%								33.00%
Brandes: San Diego	Active (Value)			569,428,520				569,428,520	1.69%
GTAAs Managers (2)	Active GTAA			1,072,271,887				1,072,271,887	3.18%
American Century	Active (EAFE)			505,026,349				505,026,349	1.50%
Trinity Street	Active (EAFE)			324,343,849				324,343,849	0.96%
Thompson Siegel Walmsley	Active (EAFE)			152,111,136				152,111,136	0.45%
Blackrock: San Francisco	Passive (EAFE)				2,302,385,160			2,302,385,160	6.82%
	Large Cap Developed Non-US Equity Total							\$4,927,849,242	14.60%
	Large Cap Developed Policy								14.00%
AQR: Greenwich	Active (EAFE SC)			169,823,937				169,823,937	0.50%
DFA: Santa Monica	Active (EAFE SC)			210,822,356				210,822,356	0.62%
Franklin Templeton: San Mateo	Active (EAFE SC)			381,083,311				381,083,311	1.13%
Blackrock: San Francisco	Passive (EAFE SC)				441,039,138			441,039,138	1.31%
	Small Cap Developed Non-US Equity Total							\$1,202,771,528	3.56%
	Small Cap Developed Policy								3.00%
William Blair: Chicago	Active (EM)			465,818,201				465,818,201	1.38%
Eaton Vance: Boston	Active (EM)			508,014,845				508,014,845	1.51%
LSV: Chicago	Active (EM)			307,016,669				307,016,669	0.91%
Blackrock: San Francisco	Passive (EM)				677,025,836			677,025,836	2.01%
	Emerging Markets Equity Total							\$1,957,875,551	5.80%
	Emerging Markets Policy								6.00%
	Non-US Equity Total							\$8,088,496,321	23.97%
	Non-US Equity Policy Range: 16% - 28%								23.00%
	Private Equity Total							\$2,158,643,330	6.40%
	Private Equity Policy Range: 5% - 9%								7.00%
	Opportunistic Equity							\$345,741,377	1.02%
	Opportunistic Equity Policy Range: 0% - 3%								0.00%
	Equity Total							\$22,602,658,888	66.98%
	Total Equity Policy Range: 53% - 73%								63.00%
Gresham: New York						769,190,896		769,190,896	2.28%
GTAAs Managers (2)	Active GTAA					342,348,057		342,348,057	1.01%
	Commodities Total							\$1,111,538,953	3.29%
	Commodities Policy Range: 1% - 7%								4.00%
GTAAs Manager (1)	Active GTAA					52,030,819		52,030,819	0.15%
	Real Estate Total							\$2,026,837,366	6.01%
	Real Estate Policy Range: 6% - 10%								8.00%
	Infrastructure Total							\$0	0.00%
	Infrastructure Policy Range: 0% - 3%								0.00%
	Farmland & Timber Total					116,026,109		\$116,026,109	0.34%
	Farmland & Timber Policy Range: 0% - 3%								0.00%
	Opportunistic Inflation Linked Total							\$0	0.00%
	Opportunistic I/L Policy Range: 0% - 3%								0.00%
	Inflation Linked Total							\$3,254,402,448	9.64%
	Inflation Linked Policy Range: 7%-15%								12.00%
	TOTAL Amounts	\$3,940,098,860	\$3,947,392,927	\$11,012,372,883	\$11,590,286,004	\$3,370,428,556	\$0	\$33,744,553,123	Total Fund
	TOTAL Percent	11.68%	11.70%	32.63%	34.36%	9.99%	0.00%		

Asset Class	Actual Portfolio	SAA Policy: Target (Range)	Rebalancing		Assumed - Adjusted		Policy Band check	Passive Min	Passive Actual
			Assumed Port	Adj Policy	% diff	\$ diff			
Cash	0.98%								
Core	10.73%	13%						50%	72%
High Yield	2.85%	5%							
US Fixed Income	13.58%	18% (8-28%)	14.56%	18.56% (9-29%)	-4.00%	-\$1,349,940,021	OK		
EM Debt	2.18%	4%		4.00%					
Opportunistic Debt	3.04%	0% (0-10%)	3.04%	0% (0-10%)	3.04%	\$1,024,479,723	OK		
Private Debt	3.59%	3%		3.00%					
Total Fixed Income	23.37%	25% (15-35%)	23.37%	25.56% (16-36%)	-2.19%	-\$739,731,237	OK		
Large Cap	27.18%	23%							
Mid Cap	4.40%	5%							
Small Cap	4.01%	5%							
US Equity	35.59%	33% (26-38%)	36.79%	34.46% (27-39%)	2.33%	\$786,585,350	OK	50%	66%
Developed Large Cap	14.60%	14%							
Developed Small Cap	3.56%	3%							
Emerging Markets	5.80%	6%							
Non-US Equity	23.97%	23% (16-28%)	23.51%	23.5% (16-28%)	0.01%	\$4,135,176	OK	30%	49%
Private Equity	6.40%	7% (5-9%)	6.40%	6.4% (4-8%)	0.00%	\$0	OK		
Opportunistic Equity	1.02%	0% (0-3%)	1.02%	0% (0-3%)	1.02%	\$345,741,377	OK		
Total Equity	66.98%	63% (53-70%)	67.72%	64.36% (54-71%)	3.37%	\$1,136,461,903	OK		
Commodities	3.29%	4% (1-7%)	2.71%	4.08% (1-7%)	-1.37%	-\$460,725,955	OK		
Real Estate	6.01%	8% (6-10%)	5.85%	6.01% (4-8%)	-0.15%	-\$52,030,819	OK		
Infrastructure	0.00%	0% (0-3%)	0.00%	0% (0-3%)	0.00%	\$0	OK		
Farmland & Timber	0.34%	0% (0-3%)	0.34%	0% (0-3%)	0.34%	\$116,026,109	OK		
Opportunistic I/L	0.00%	0% (0-3%)	0.00%	0% (0-3%)	0.00%	\$0	OK		
Total Inflation Linked	9.64%	12% (8-16%)	8.91%	10.09% (6-14%)	-1.18%	-\$396,730,665	OK		
Total	100.00%	100%	100.00%	100.00%	0.00%	\$0		30%	43%
Total GTAA								\$9,506,343,561	28%
Bridgewater	\$3,081,439,856	9.1%							
Windham	\$587,918,854	1.7%							
Total	\$3,669,358,709	10.9%							
Policy	10% ±5%	OK							

Opportunistic definitions:
1) Tactical in nature: Function of market dislocation AND
2a) Outside SAA benchmark, OR
2b) Within SAA benchmark but absolute return oriented

ASRS Pension and HBS Assets
Public Securities Markets
Investment Managers Performance Summary

Period Ending Sep 30, 2014
FINAL



	Style	Inception	Amount (\$mil.)	Net Returns (%)								Excess Returns (basis points)								
				Month	3 Months	YTD	1 Year	Annualized			ITD	Month	3 Months	YTD	1 Year	Annualized			ITD	
								3 Years	5 Years	10 Years						3 Years	5 Years	10 years		
US EQUITY LARGE CAP																				
E2 MODEL	INDEXED	04/01/1997	4,939	-1.40	1.13	8.35	19.74	22.97	15.69	8.16	7.66	0	1	1	1	-3	-1	5	7	
	<i>S&P 500 INDEX</i>			-1.40	1.13	8.34	19.73	22.99	15.70	8.11	---									
INTECH LARGE CAP	QUANTITATIVE	01/01/2003	470	-0.79	1.52	6.85	19.88	21.84	16.16	8.22	9.93	31	-41	-251	-167	-78	-48	-68	50	
	<i>S&P/CITIGROUP 500 GROWTH</i>			-1.09	1.92	9.36	21.55	22.62	16.64	8.90	---									
LSV ASSET MANAGEMENT	QUANTITATIVE	01/01/2003	799	-2.88	-0.80	6.88	19.40	27.37	16.88	9.36	11.53	-113	-105	-35	163	391	214	210	238	
	<i>LSV CUSTOM INDEX</i>			-1.75	0.25	7.23	17.77	23.46	14.73	7.26	---									
E7	INDEXED	08/01/2012	774	-0.61	1.49	9.90	19.96	---	---	---	17.96	-3	-3	-7	-11	---	---	---	11	
	<i>MSCI USA High Dividend Yield Index</i>			-0.59	1.52	9.96	20.07	---	---	---	---									
E8	INDEXED	08/01/2012	501	-0.78	1.69	8.01	16.31	---	---	---	15.51	-2	-2	13	37	---	---	---	64	
	<i>MSCI USA Minimum Volatility Index</i>			-0.76	1.71	7.88	15.94	---	---	---	---									
TOTAL US EQUITY LARGE CAP			\$ 7,482																	
US EQUITY MID CAP																				
WELLINGTON MANAGEMENT COMPANY LLP	FUNDAMENTAL	07/01/2002	401	-4.25	-4.68	5.31	14.93	24.95	16.04	11.80	11.42	29	-70	210	311	252	-32	151	115	
	<i>S&P 400 MIDCAP INDEX</i>			-4.55	-3.98	3.22	11.82	22.43	16.37	10.29	---									
E3 MODEL	INDEXED	12/01/2000	489	-3.78	-3.31	1.63	10.24	20.65	17.15	11.20	8.47	-2	-2	-1	2	26	47	55	56	
	<i>S&P/CITIGROUP 400 GROWTH</i>			-3.76	-3.29	1.64	10.22	20.39	16.67	10.66	---									
CRM MID CAP VALUE	FUNDAMENTAL	01/01/2004	98	-3.90	-3.56	0.97	11.04	20.29	13.28	9.39	9.63	145	113	-391	-245	-429	-281	-48	-12	
E4 MODEL	INDEXED	07/01/2002	499	-5.40	-4.75	4.75	13.29	24.41	16.03	10.13	10.46	-4	-6	-13	-21	-18	-6	26	20	
	<i>S&P/CITIGROUP 400 VALUE</i>			-5.35	-4.69	4.88	13.50	24.59	16.09	9.88	---									
TOTAL US EQUITY MID CAP			\$ 1,486																	
US EQUITY SMALL CAP																				
DIMENSIONAL FUND ADVISORS EQFD	QUANTITATIVE	09/01/1998	377	-6.53	-5.49	0.12	11.98	26.29	17.15	9.84	12.26	-49	129	275	524	220	149	81	138	
	<i>DFA BLENDED BENCHMARK</i>			-6.04	-6.78	-2.62	6.74	24.09	15.66	9.03	---									
TIMESQUARE CAPITAL MANAGEMENT	FUNDAMENTAL	04/01/2005	436	-3.91	-3.51	-3.13	7.35	25.06	17.89	---	12.11	47	69	-273	-69	237	105	---	255	
	<i>RUSSELL 2500 GROWTH</i>			-4.39	-4.21	-0.41	8.05	22.68	16.85	---	---									
CHAMPLAIN INVESTMENT PARTNERS LLC	FUNDAMENTAL	01/01/2008	87	-3.85	-4.94	-4.44	2.89	18.17	14.41	---	8.98	152	179	-71	-286	-469	-184	---	35	
E6	INDEXED	02/01/2007	451	-5.40	-6.75	-3.81	5.66	22.81	16.07	---	7.59	-3	-3	-8	-8	-5	-17	---	36	
	<i>S&P 600 SMALL CAP</i>			-5.37	-6.73	-3.72	5.74	22.86	16.24	---	---									
TOTAL US EQUITY SMALL CAP			\$ 1,351																	
TOTAL US EQUITY				\$ 10,320																
INTERNATIONAL DEVELOPED LARGE CAP																				
BRANDES INVESTMENT PARTNERS INT EQ	FUNDAMENTAL	10/01/1998	569	-4.32	-6.79	0.08	5.73	13.67	6.16	6.42	9.32	-48	-92	146	144	-35	-136	-137	290	
	<i>BRANDES CUSTOM INDEX</i>			-3.84	-5.88	-1.38	4.29	14.01	7.52	7.78	---									
AMERICAN CENTURY	FUNDAMENTAL	07/01/2014	505	-2.71	-4.84	---	---	---	---	---	-4.84	113	104	---	---	---	---	---	104	
BGI EAFE INDEX	INDEXED	07/01/2009	2,300	-3.86	-5.87	-1.15	4.46	13.93	6.87	---	10.21	-1	0	23	17	-8	-9	---	-9	
THOMSON, SIEGEL & WALMSLEY	FUNDAMENTAL	07/01/2014	152	-3.96	-5.86	---	---	---	---	---	-5.86	-11	1	---	---	---	---	---	1	

ASRS Pension and HBS Assets
Public Securities Markets
Investment Managers Performance Summary

Period Ending Sep 30, 2014
FINAL



				Net Returns (%)							Excess Returns (basis points)								
	Style	Inception	Amount (\$mil.)	Month	3 Months	YTD	1 Year	Annualized			Month	3 Months	YTD	1 Year	Annualized				
								3 Years	5 Years	10 Years					3 Years	5 Years	10 years	ITD	
TRINITY STREET	FUNDAMENTAL	07/01/2014	324	-3.27	-6.44	---	---	---	---	---	-6.44	57	-57	---	---	---	---	---	-57
<i>MSCI EAFE NET</i>				-3.84	-5.88	---	---	---	---	---	---								
TOTAL INTERNATIONAL DEVELOPED LARGE CAP			\$ 3,851																
INTERNATIONAL DEVELOPED SMALL CAP																			
AQR CAPITAL	FUNDAMENTAL	06/01/2013	170	-5.33	-6.76	-2.14	4.92	---	---	---	12.30	10	106	61	189	---	---	---	143
BLACKROCK EAFE SMALL CAP	INDEXED	06/01/2010	440	-5.41	-7.86	-2.79	2.90	14.43	---	---	12.45	2	-5	-5	-14	-32	---	---	-23
DIMENSIONAL FUND ADVISORS INTL SC	QUANTITATIVE	09/01/2005	211	-5.93	-8.99	-1.42	5.35	15.65	7.34	---	6.00	-51	-118	133	232	90	-185	---	11
FRANKLIN TEMPLETON INVESTMENTS	FUNDAMENTAL	04/01/2011	381	-6.78	-10.72	-8.64	-4.21	15.90	---	---	8.30	-135	-290	-590	-725	115	---	---	188
<i>MSCI EAFE SMALL CAP NET</i>				-5.43	-7.82	-2.74	3.03	14.75	---	---	---								
TOTAL INTERNATIONAL DEVELOPED SMALL CAP			\$ 1,202																
INTERNATIONAL EMERGING MARKETS																			
BLACKROCK EMERGING MARKETS	INDEXED	10/01/2010	674	-7.42	-3.55	2.19	4.14	6.95	---	---	0.60	-1	-6	-24	-19	-49	---	---	-46
EATON VANCE EMERGING MARKET EQUITY	QUANTITATIVE	12/01/2010	507	-4.86	-2.25	4.56	7.27	8.98	---	---	2.31	255	124	213	294	154	---	---	125
LSV EMERGING MARKET EQUITY	QUANTITATIVE	12/01/2010	306	-7.43	-3.53	4.69	7.08	9.25	---	---	2.43	-1	-4	226	275	181	---	---	138
WILLIAM BLAIR & COMPANY	FUNDAMENTAL	11/01/2010	465	-5.57	-1.57	6.06	9.82	11.29	---	---	3.07	184	192	363	549	385	---	---	272
<i>MSCI EMF NET</i>				-7.41	-3.50	2.43	4.33	7.44	---	---	---								
TOTAL INTERNATIONAL EMERGING MARKETS			\$ 1,953																
TOTAL INTERNATIONAL EQUITY			\$ 7,005																
RISK FACTOR PORTFOLIO																			
RISK FACTOR PORTFOLIO	OVERLAY	06/01/2013	517	-1.22	1.42	7.83	19.15	---	---	---	17.23								
TOTAL RISK FACTOR PORTFOLIO			\$ 517																
TOTAL EQUITY W/ RISK FACTOR OVERLAY			\$ 17,844																
CORE FIXED INCOME																			
BGI US DEBT FD	INDEXED	04/01/2014	714	-0.62	0.23	---	---	---	---	---	---	6	6	---	---	---	---	---	---
F2 MODEL	INDEXED	10/01/2000	1,854	-0.59	0.19	3.98	4.06	2.61	4.31	4.85	5.62	9	3	-12	10	18	19	23	15
<i>Barclays Aggregate</i>				-0.68	0.17	4.10	3.96	2.43	4.12	4.62	---								
BGI GOVT/CRDTBD INDEX	INDEXED	11/01/2008	24	-0.45	0.00	2.36	2.35	2.14	3.52	---	4.90	6	3	14	15	12	10	---	10
<i>Barclays Gov/Credit Int</i>				-0.51	-0.03	2.22	2.20	2.01	3.42	---	---								
TOTAL CORE FIXED INCOME			\$ 2,591																
HIGH YIELD FIXED INCOME																			
COLUMBIA MANAGEMENT INV. ADVISORS, LLC	FUNDAMENTAL	10/01/2009	637	-2.11	-1.82	3.33	6.71	10.73	9.91	---	9.91	-2	4	-16	-49	-36	-66	---	-66
JP MORGAN HIGH YIELD	FUNDAMENTAL	07/01/2013	325	-1.94	-1.93	2.78	6.65	---	---	---	7.11	16	-6	-71	-55	---	---	---	-52
<i>Barclays Corp High Yield</i>				-2.09	-1.87	3.49	7.20	---	---	---	---								
TOTAL HIGH YIELD FIXED INCOME			\$ 963																



	Style	Inception	Amount (\$mil.)	Net Returns (%)								Excess Returns (basis points)								
				Month	3 Months	YTD	1 Year	Annualized			ITD	Month	3 Months	YTD	1 Year	Annualized			ITD	
								3 Years	5 Years	10 Years						3 Years	5 Years	10 years		
EMERGING MARKETS DEBT																				
ASHMORE EMERGING MKT DBT BLEND	FUNDAMENTAL	01/01/2013	402	-3.74	-4.35	1.61	1.23	---	---	---	-2.56	-48	-128	-187	-229	---	---	---	-92	
<i>EMERGING MARKETS BLENDED INDEX</i>																				
PIMCO EMERGING MARKET DEBT LC	FUNDAMENTAL	01/01/2013	333	-3.25	-3.07	3.48	3.51	---	---	---	---	-22	90	105	56	---	---	---	-47	
<i>JPM GBI-EM Global Diversified Index</i>																				
TOTAL EMERGING MARKETS DEBT			\$ 735																	
TOTAL PUBLIC FIXED INCOME			\$ 4,289																	
GTAA																				
BRIDGEWATER ASSOCIATES GLBL TAA	FUNDAMENTAL	01/01/2004	3,141	-2.79	-2.35	5.11	11.40	14.80	13.86	9.52	9.03	-79	-90	94	117	69	355	274	249	
<i>GTAA CUSTOM BENCHMARK</i>																				
WINDHAM	QUANTITATIVE	10/01/2011	588	-2.00	-1.44	4.17	10.23	14.11	10.32	6.78	---	-237	-270	-305	-416	-388	---	---	-388	
<i>WINDHAM CUSTOM INDEX</i>																				
TOTAL GTAA			\$ 3,729																	
GLOBAL INFLATION LINKED																				
GRESHAM	FUNDAMENTAL	09/01/2010	769	-5.91	-10.88	-4.54	-5.47	-3.09	---	---	0.61	31	95	105	111	226	---	---	290	
<i>Bloomberg Commodity Index Total Return</i>																				
TOTAL GLOBAL INFLATION LINKED			\$ 769																	
TOTAL PUBLIC MARKET			\$ 26,997																	



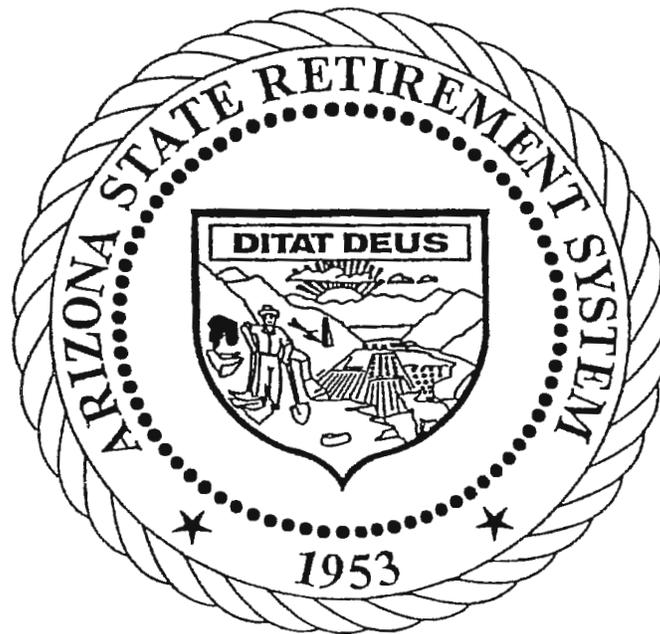
			Net Returns (%)								Excess Returns (basis points)							
	Inception	Amount (\$mil.)	Month	3 Months	YTD	1 Year	Annualized				Month	3 Months	YTD	1 Year	Annualized			ITD
							3 Years	5 Years	10 Years	ITD					3 Years	5 Years	10 years	
BLACKROCK - US DEBT FUND B	01/01/2011	31.6	-0.62	0.21	4.27	4.07	2.49	---	---	3.75	6	5	17	11	6	---	---	4
<i>Barclays Aggregate</i>			-0.68	0.17	4.10	3.96	2.43	4.12	4.62	---								
BLACKROCK - US HIGH YIELD FUND B	01/01/2011	18.0	-2.33	-2.13	3.41	7.12	10.98	---	---	8.03	-23	-26	-9	-8	-11	---	---	-35
<i>Barclays Corp High Yield</i>			-2.09	-1.87	3.49	7.20	11.09	10.57	8.33	---								
BLACKROCK-LTD-EM BD INDX FD B	01/01/2013	9.6	-5.23	-5.90	-0.40	-2.26	---	---	---	-6.06	-12	-23	-40	-72	---	---	---	-82
<i>JPM GBI-EM Global Diversified Index</i>			-5.11	-5.66	-0.01	-1.54	2.21	4.43	8.80	---								
BLACKROCK - RUSSELL 1000 FUND B	01/01/2011	95.6	-1.74	0.66	7.95	18.96	23.21	---	---	15.19	2	1	-2	-5	-2	---	---	1
<i>RUSSELL 1000</i>			-1.75	0.65	7.97	19.01	23.23	15.90	8.46	---								
BLACKROCK - RUSSELL 2000 FUND B	01/01/2011	16.1	-6.03	-7.28	-4.28	4.08	21.44	---	---	11.20	2	7	12	15	18	---	---	18
<i>RUSSELL 2000</i>			-6.05	-7.36	-4.41	3.93	21.26	14.29	8.19	---								
BLACKROCK - EAFE INDEX FUND B	01/01/2011	36.3	-3.83	-5.88	-1.33	4.24	13.70	---	---	6.18	1	0	4	-5	-31	---	---	-31
<i>MSCI EAFE NET</i>			-3.84	-5.88	-1.38	4.29	14.01	6.96	---	---								
BLACKROCK EAFE SMALL CAP FUND B	01/01/2011	8.9	-5.39	-7.81	-2.72	2.99	14.48	---	---	6.58	3	0	2	-5	-27	---	---	-25
<i>MSCI EAFE SMALL CAP NET</i>			-5.43	-7.82	-2.74	3.03	14.75	9.19	---	---								
BLACKROCK MSCI EMERGING MARKETS FUND B	01/01/2011	15.8	-7.41	-3.56	2.14	4.03	6.94	---	---	-1.26	0	-7	-29	-30	-50	---	---	-49
<i>MSCI EMF NET</i>			-7.41	-3.50	2.43	4.33	7.44	---	---	---								
BGI-LTD- R ESTATE FD	01/01/2005	21.4	-5.83	-3.03	14.51	13.20	16.03	15.55	---	6.56	-2	2	18	-26	-132	-87	---	-47
<i>WILSHIRE RESI</i>			-5.81	-3.05	14.33	13.46	17.34	16.41	8.49	---								
BLACKROCK DJ UBS COMM FUND B	01/01/2011	6.4	-6.21	-11.90	-5.83	-7.01	-5.56	---	---	-8.29	1	-7	-24	-42	-22	---	---	-33
<i>Bloomberg Commodity Index Total Return</i>			-6.23	-11.83	-5.59	-6.58	-5.34	-1.37	-1.04	---								
LONG TERM DISABILITY - CASH	07/01/1995	1.4	0.00	0.00	0.00	0.00	0.01	0.08	1.70	2.76	0	-1	-3	-5	-6	-2	9	-5
<i>91 DAY TREASURY BILL</i>			0.00	0.01	0.03	0.05	0.07	0.10	1.61	---								
TOTAL LTD		\$ 261.3																

Long Term Disability (LTD)

Tuesday, September 30, 2014

Account Manager	Account Manager Style	Fixed Income	Equity	Inflation Linked	Total	Pct of Fund	Target (Range)
StateStreet B&T: Boston	Cash	\$1,232,380			\$1,232,380	0.47%	
BlackRock: San Francisco	Fixed Core (Passive)	\$31,596,706			\$31,596,706	12.03%	13%
BlackRock: San Francisco	Fixed High Yield (Passive)	\$17,953,494			\$17,953,494	6.84%	8%
BlackRock: San Francisco	Emerging Market Debt (Passive)	\$9,712,400			\$9,712,400	3.70%	4%
						22.57%	25% (15-35%)
BlackRock: San Francisco	Russell 1000 (Passive)		\$96,114,154		\$96,114,154	36.60%	34%
BlackRock: San Francisco	Russell 2000 (Passive)		\$16,397,347		\$16,397,347	6.24%	6%
						42.85%	40% (33-45%)
BlackRock: San Francisco	EAFE (Passive)		\$36,531,032		\$36,531,032	13.91%	14%
BlackRock: San Francisco	EAFE SC (Passive)		\$8,907,702		\$8,907,702	3.39%	3%
BlackRock: San Francisco	Emerging Markets (Passive)		\$16,116,859		\$16,116,859	6.14%	6%
						23.44%	23% (16-28%)
BlackRock: San Francisco	Dow Jones UBS Commodities (Passive)			\$6,473,933	\$6,473,933	2.47%	4% (1-7%)
BlackRock: San Francisco	US Real Estate (Passive)			\$21,535,172	\$21,535,172	8.20%	8% (6-10%)
						10.67%	12% (8-16%)
	TOTAL Amounts	\$60,494,981	\$174,067,093	\$28,009,105	\$262,571,179		
	TOTAL Percent	23.04%	66.29%	10.67%			
Actual Portfolio		23.04%	66.29%	10.67%			
Policy		25% (15-35%)	63% (53-70%)	12% (8-16%)			

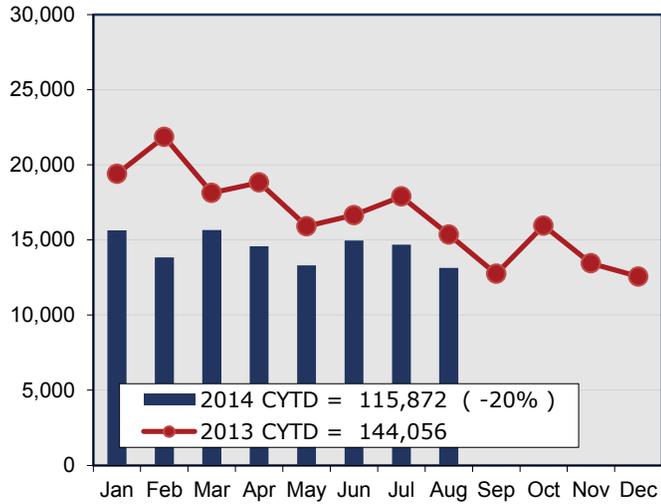
Director's Report Operations



Member Advisory Center: Phone

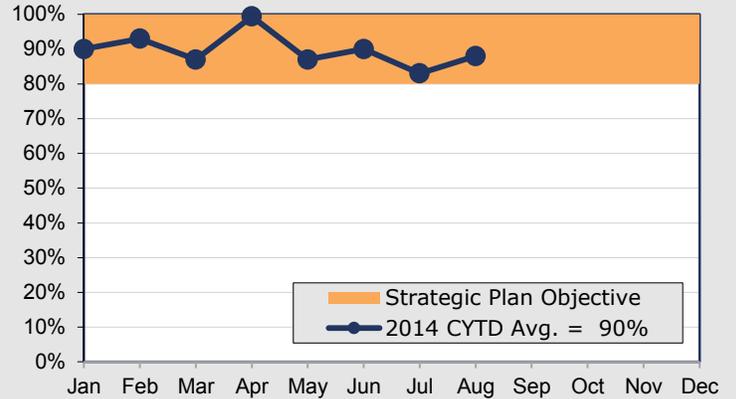
Volume

comparison of calls by month and year



Timeliness

percent answered in 20 seconds or less



Timeliness (average wait time in seconds)

55	7	14	12	15	9	12	10				
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Resolution Rate

percent resolved on first contact



Abandonment Rate

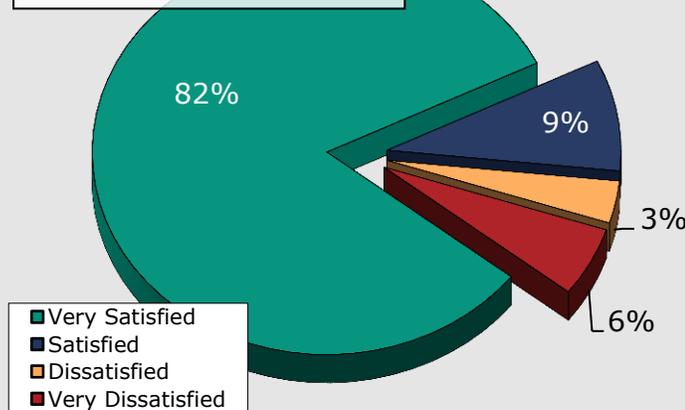
percent of calls abandoned



Member Satisfaction

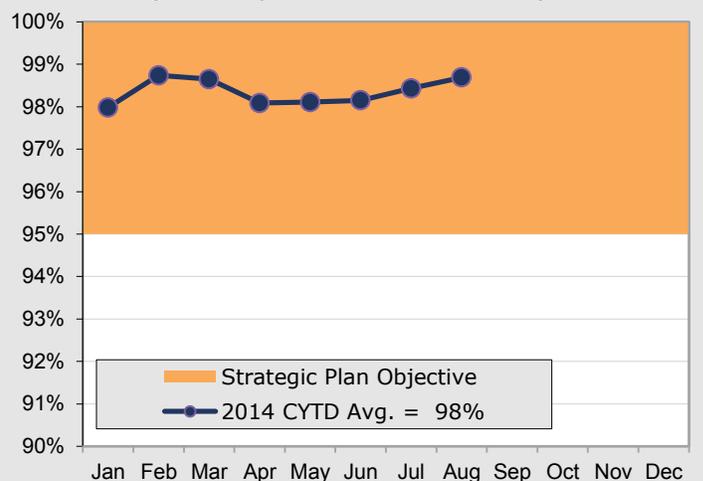
2nd Quarter 2014

Very Satisfied + Satisfied = 91%
Strategic Plan Objective = 90%

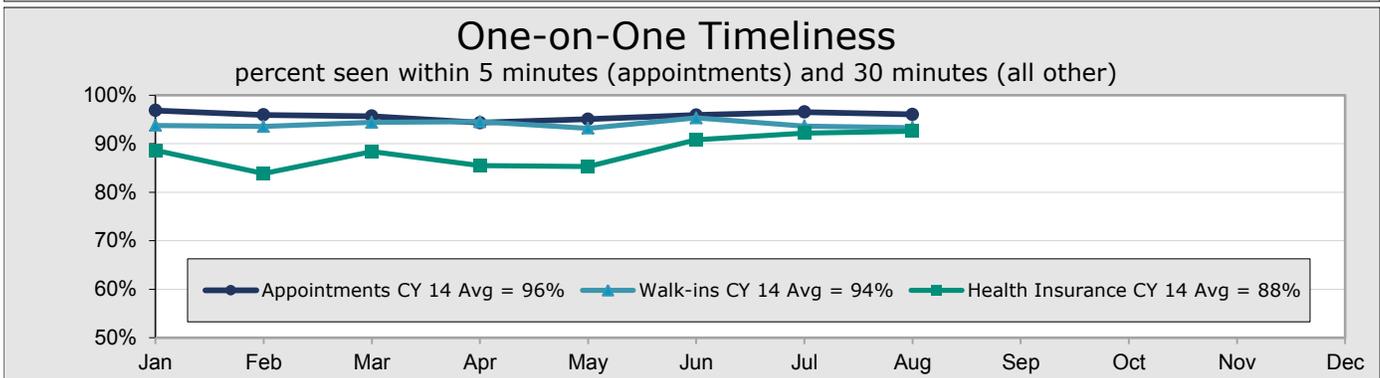
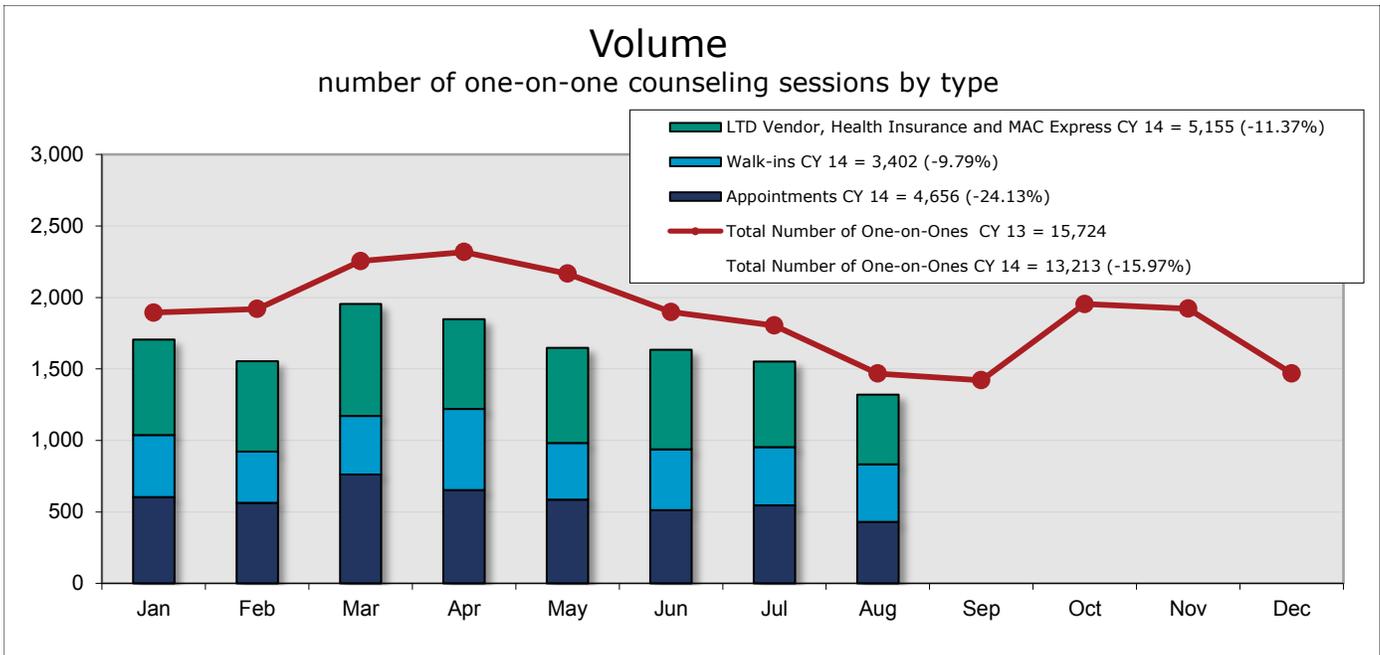


Quality

of agent response to member inquiries

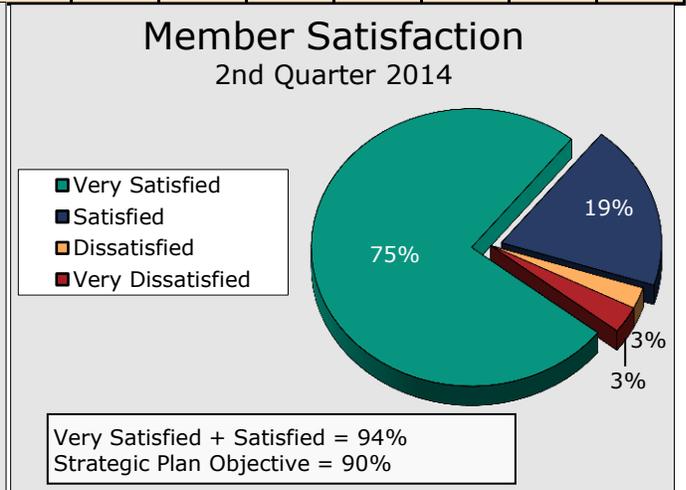
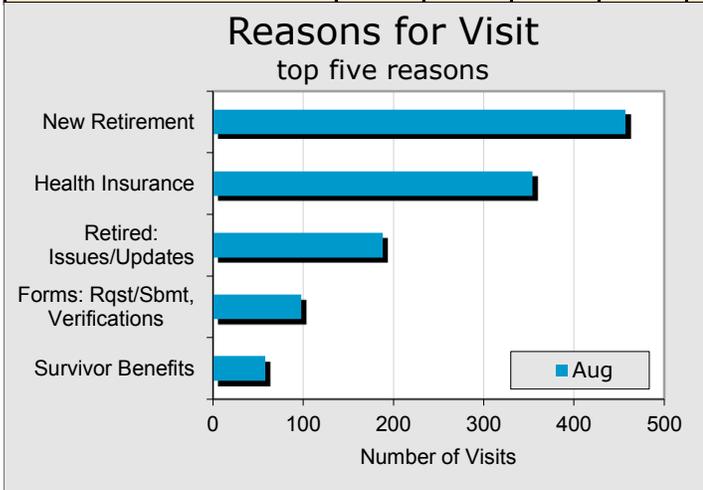


Member Advisory Center: One-on-One

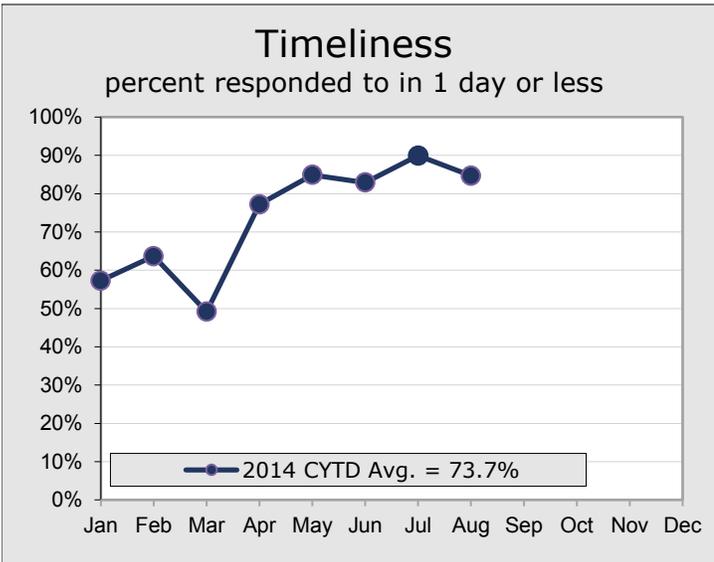
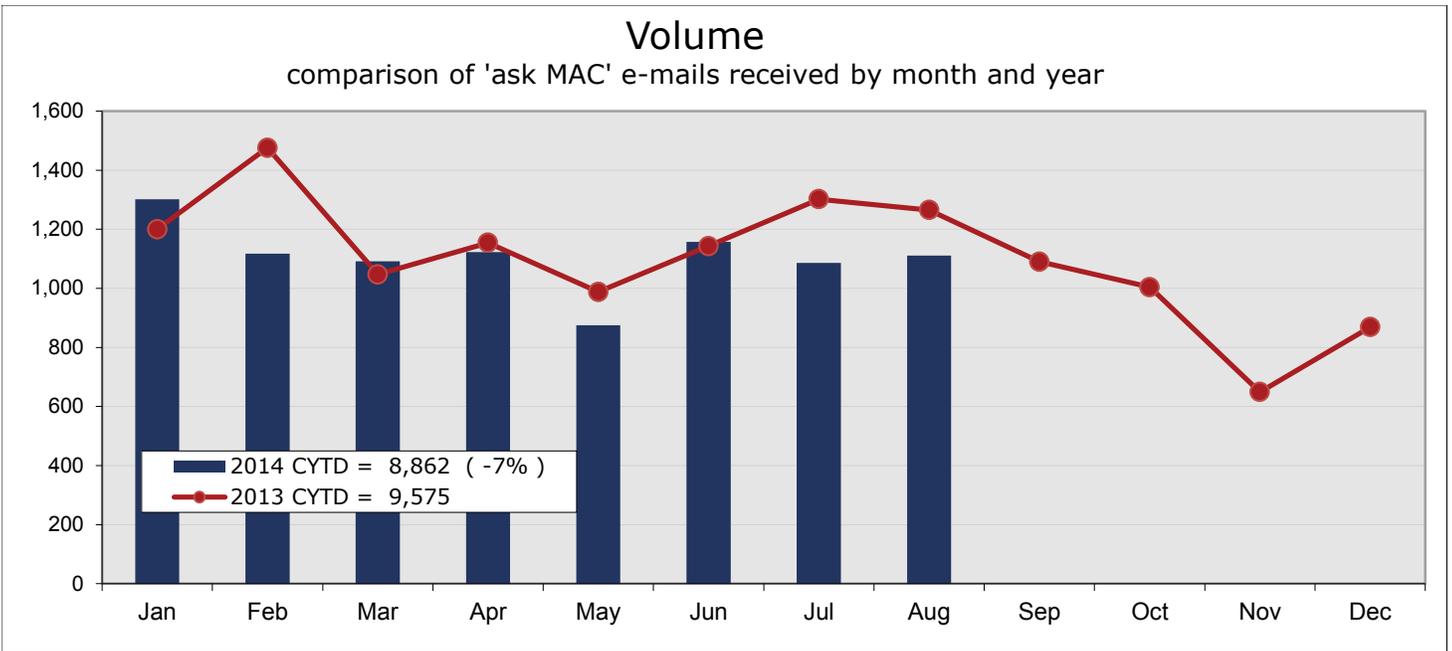


Timeliness (average wait time in minutes)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Appointments	1	1	1	2	1	1	1	0				
Walk-Ins	9	10	8	7	7	7	7	8				
Reception/MAC Express	0	0	0	0	0	0	0	0				
Health Insurance	6	7	7	7	7	5	4	5				
LTD Vendor	0	n/a	n/a	0	n/a	0	0	0				

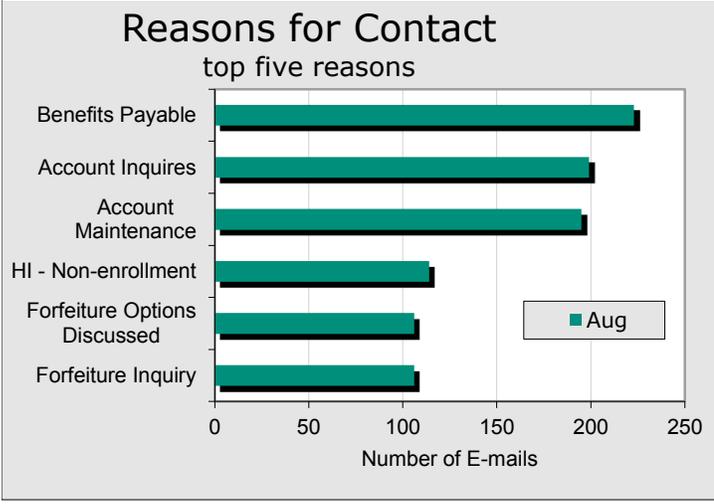
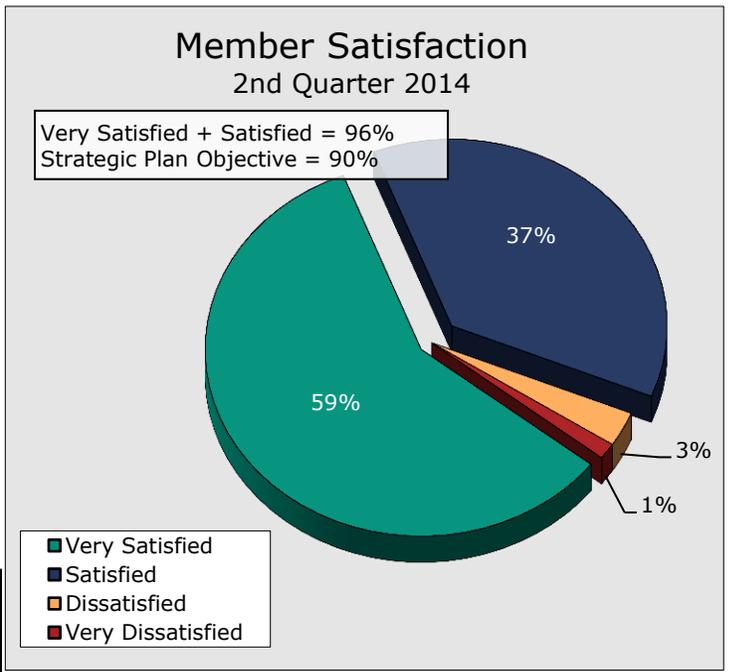


Member Advisory Center: E-Mail



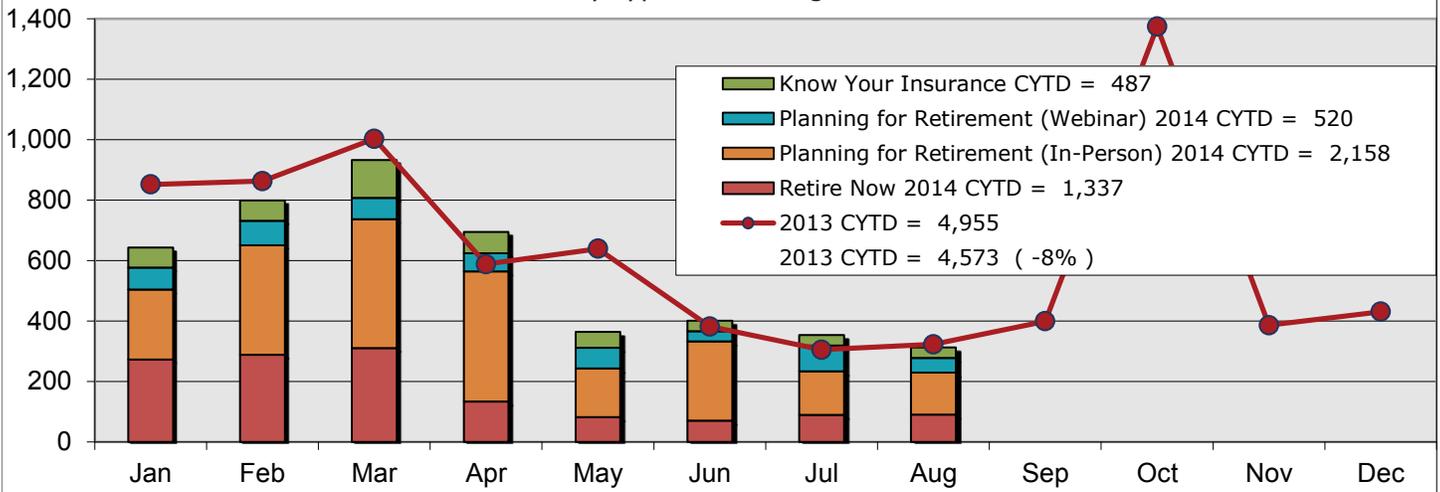
E-mail Timeliness (average response in hours)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average	24.0	21.8	25.4	16.5	9.8	12.4	8.4	10.3				



Outreach Education and Benefit Estimates

Total Meeting Attendees by type of meeting

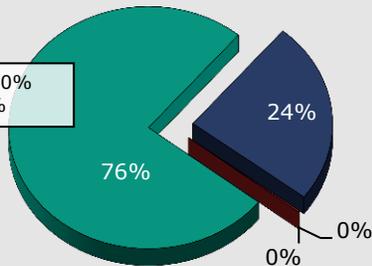


Member Satisfaction

Planning for Retirement Meetings 2nd Quarter 2014

Very Satisfied + Satisfied = 100%
Strategic Plan Objective = 90%

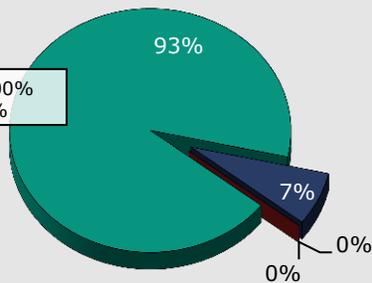
- Very Satisfied
- Satisfied
- Dissatisfied
- Very Dissatisfied



Retire Now Meetings 2nd Quarter 2014

Very Satisfied + Satisfied = 100%
Strategic Plan Objective = 90%

- Very Satisfied
- Satisfied
- Dissatisfied
- Very Dissatisfied



Benefit Estimate Timeliness

percent completed within 3 business days



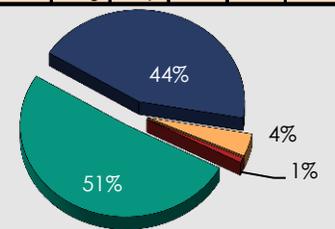
Benefit Estimate Timeliness (average TAT in days)

1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0				
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Benefit Estimates 2nd Quarter 2014

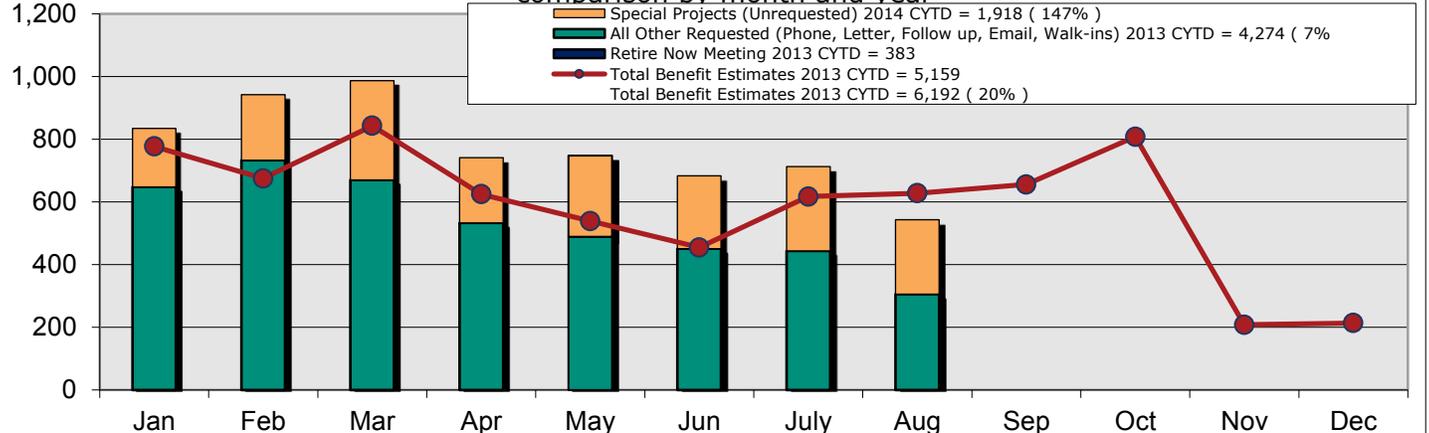
Very Satisfied + Satisfied = 95%
Strategic Plan Objective = 90%

- Very Satisfied
- Satisfied
- Dissatisfied
- Very Dissatisfied



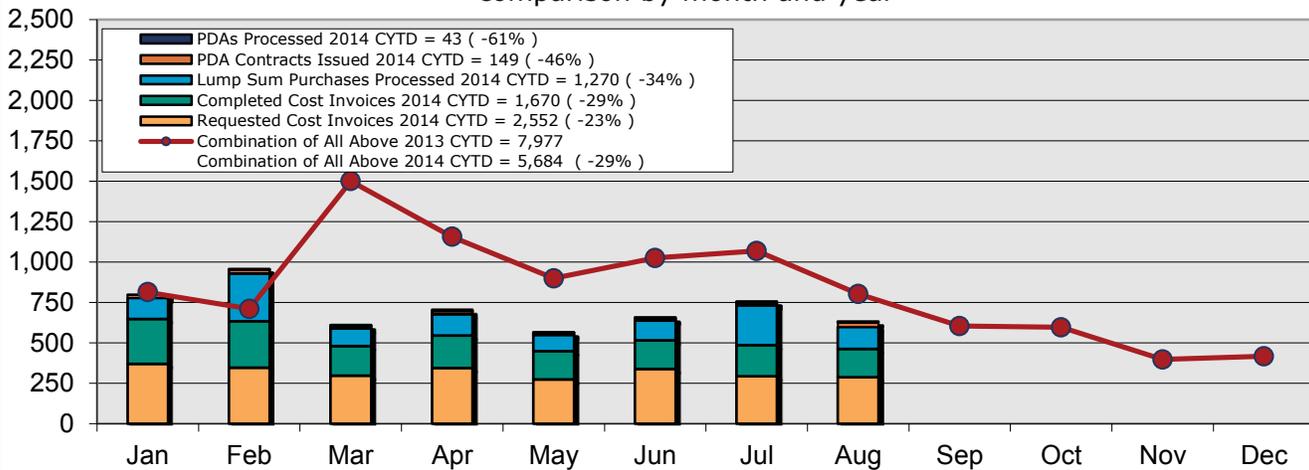
Benefit Estimate Volume

comparison by month and year



Service Purchase

Total Volume comparison by month and year



Requests Pending

as of August 31, 2014

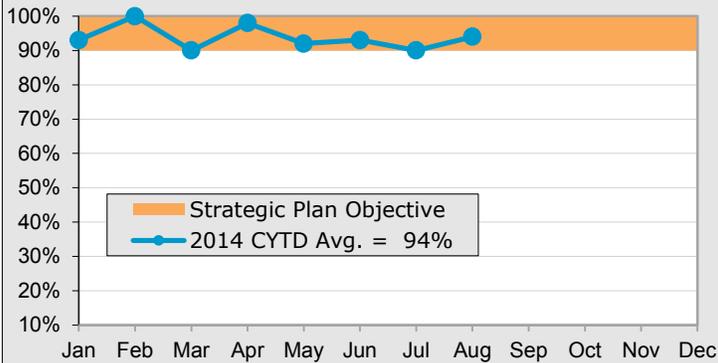
Cost Invoices Pending

471

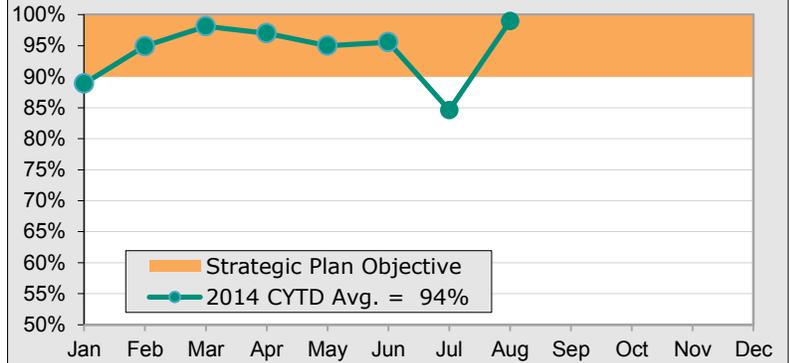
Payments Pending

15

Lump Sum Timeliness percent within 5 business days



Cost Invoices Timeliness percent within 10 business days



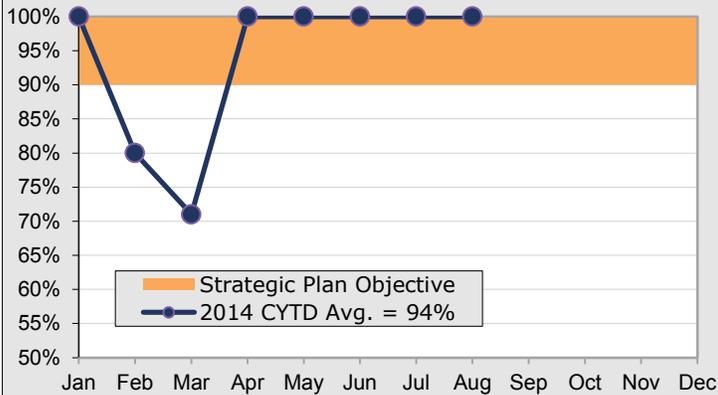
Timeliness (average turnaround time in business days)

2	1	2	1	2	2	4	2				
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Timeliness (average turnaround time in business days)

6	3	3	4	5	4	7	3				
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

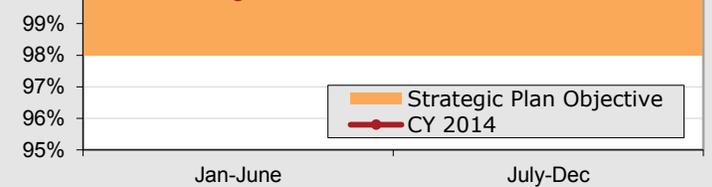
Payroll Deduction Agreement Timeliness percent within 5 business days



Timeliness (average turnaround time in business days)

1	2	3	1	1	1	2	1				
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

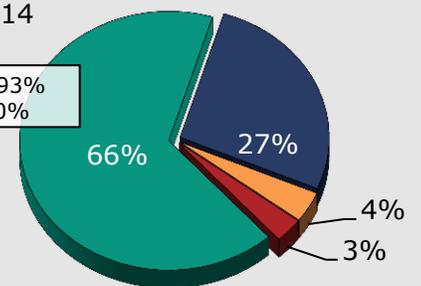
Cost Invoice Quality Rating CY 2014



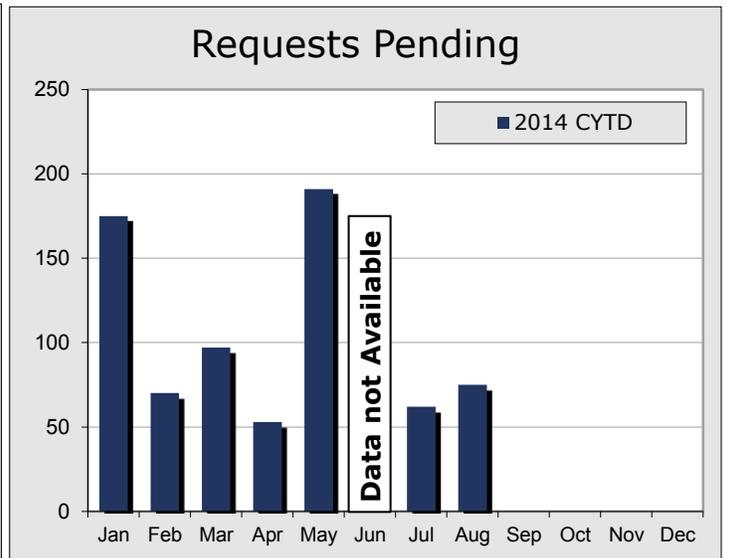
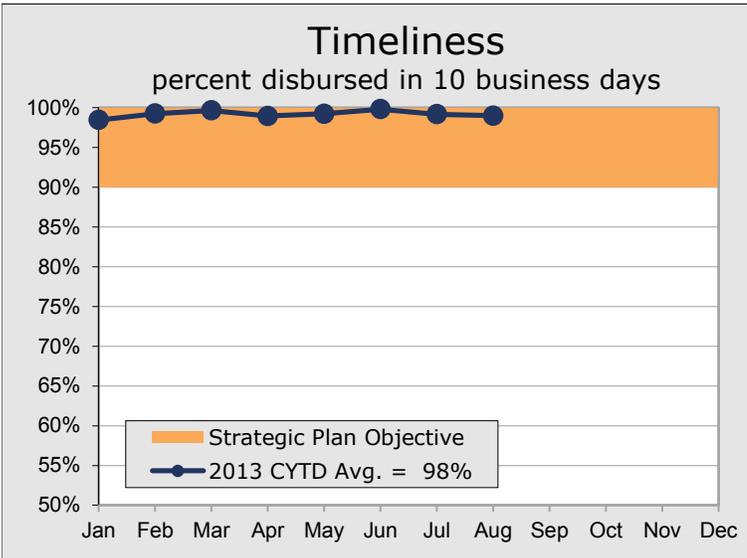
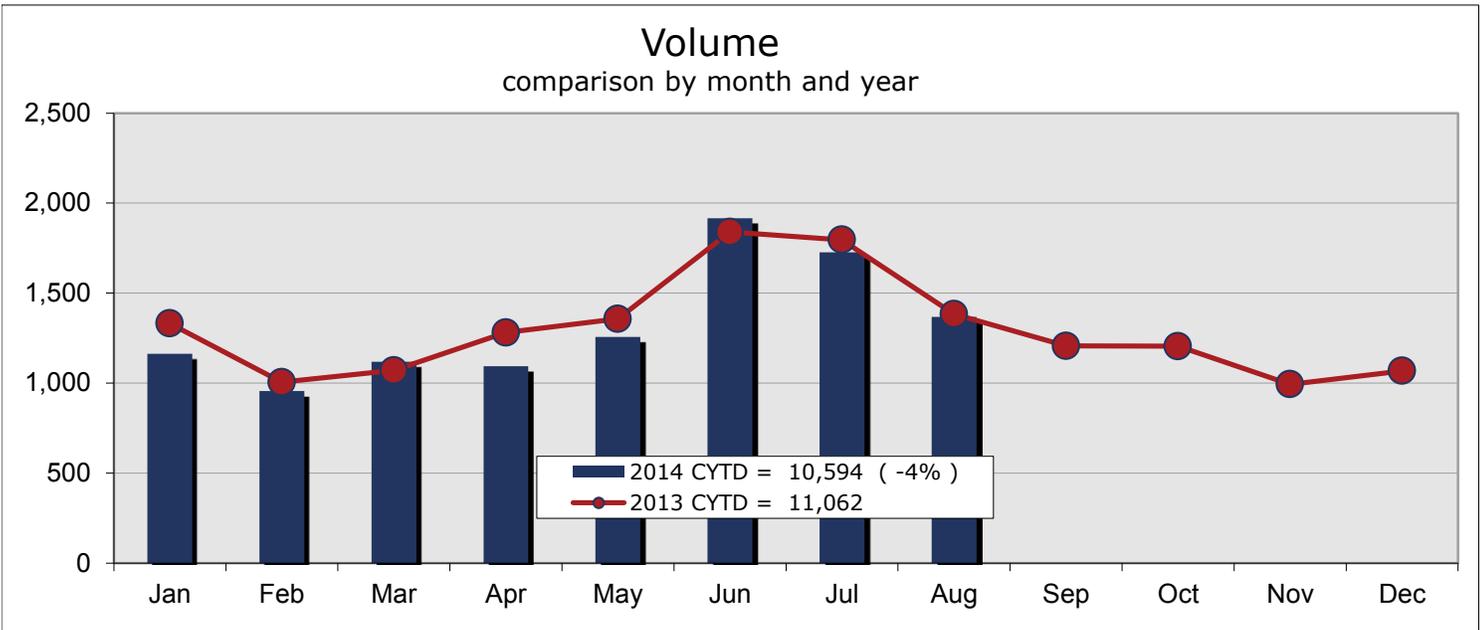
Member Satisfaction 2nd Quarter 2014

Very Satisfied + Satisfied = 93%
Strategic Plan Objective = 90%

■ Very Satisfied
 ■ Satisfied
 ■ Dissatisfied
 ■ Very Dissatisfied

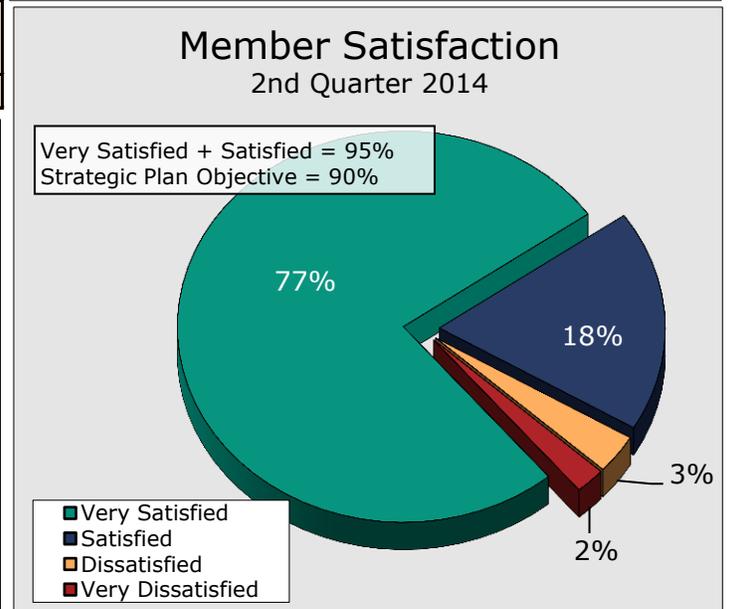
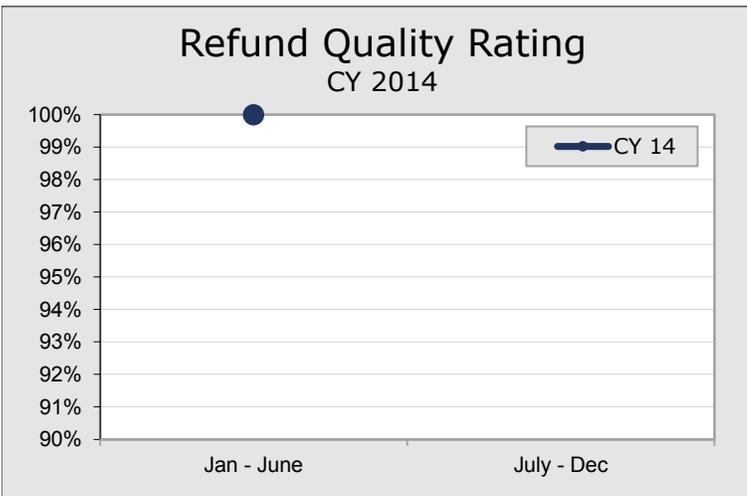


Refunds



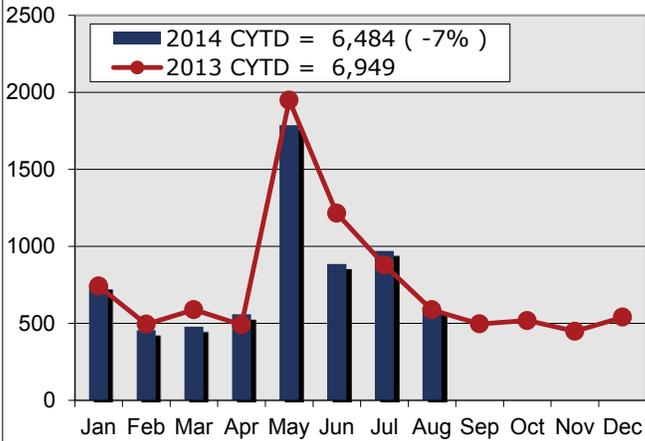
Timeliness (average turnaround time in business days)

Month	Turnaround Time
Jan	3
Feb	2
Mar	2
Apr	1
May	1
Jun	2
Jul	2
Aug	2
Sep	-
Oct	-
Nov	-
Dec	-

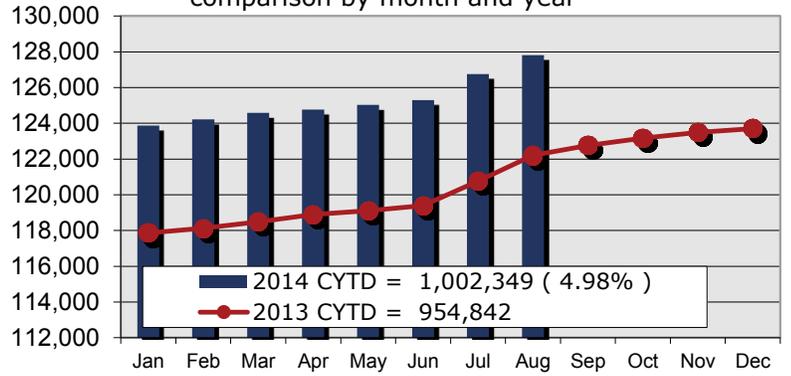


New Retirees

First Payment Volume comparison by month and year



Pension Volume comparison by month and year



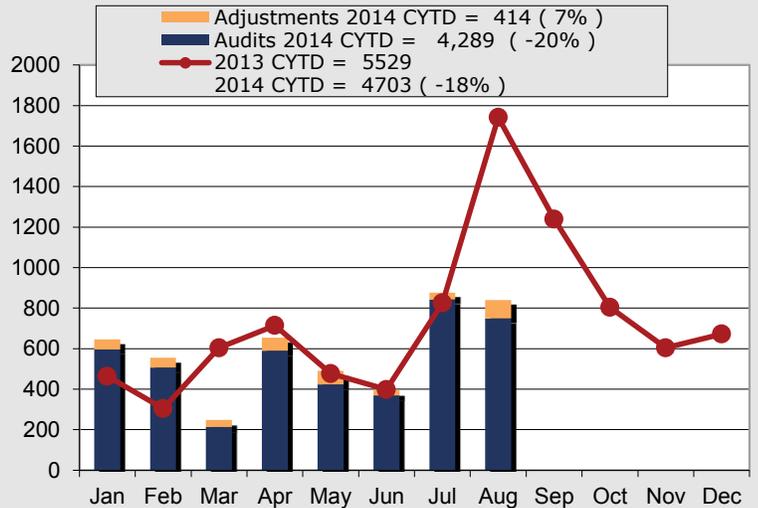
Pension Payment (percent disbursed by 1st of the month)

100%	100%	100%	100%	99.9%	100%	100%	100%					
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	

First Payment Timeliness percent disbursed in 10 business days



Audits & Adjustments comparison by month and year

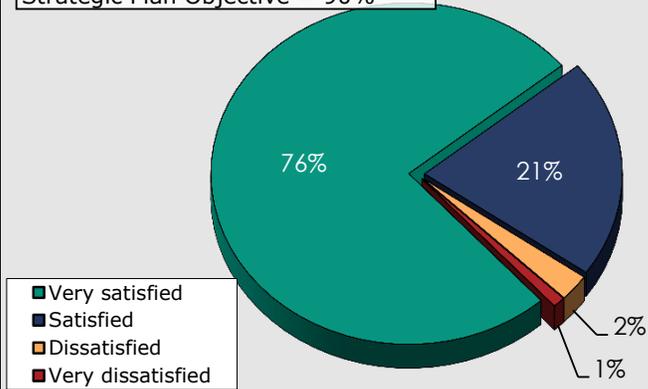


First Payment Timeliness (average turnaround time in days)

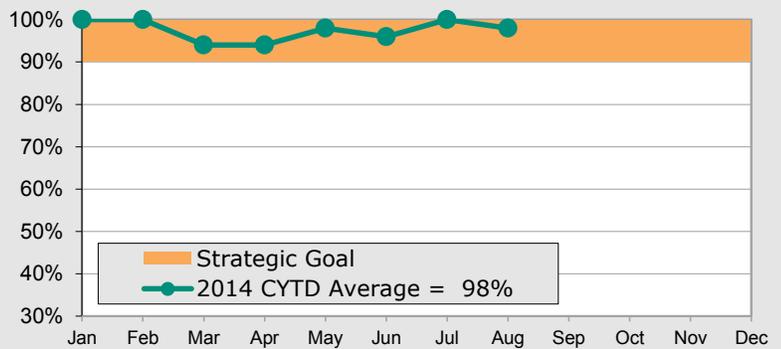
6	8	7	9	3	6	5	7					
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	

Member Satisfaction 2nd Quarter 2014

Very Satisfied + Satisfied = 97%
Strategic Plan Objective = 90%



Adjustments Timeliness Percent completed in 20 business days



Adjustments Timeliness (average turnaround time in days)

1	2	3	6	5	4	4	8					
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	

Death Notifications

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	CYTD
CY13	352	516	354	343	263	315	266	353	291	395	333	303	2,409
CY14	264	272	261	382	349	292	326						2,146
Change	-88	-244	-93	39	86	-23	60						-263
	-25%	-47%	-26%	11%	33%	-7%	23%						-11%

Packet Volume

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	CYTD
CY13	347	471	425	406	323	280	301	396	318	481	285	371	2,553
CY14	355	309	286	398	357	322	363						2,390
Change	8	-162	-139	-8	34	42	62						-163
	2%	-34%	-33%	-2%	11%	15%	21%						-6%

Payment Volume

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	CYTD
CY13	119	145	196	172	120	115	143	156	154	124	144	159	1,010
CY14	151	124	168	143	132	151	143						1,012
Change	32	-21	-28	-29	12	36	0						2
	27%	-14%	-14%	-17%	10%	31%	0%						0%

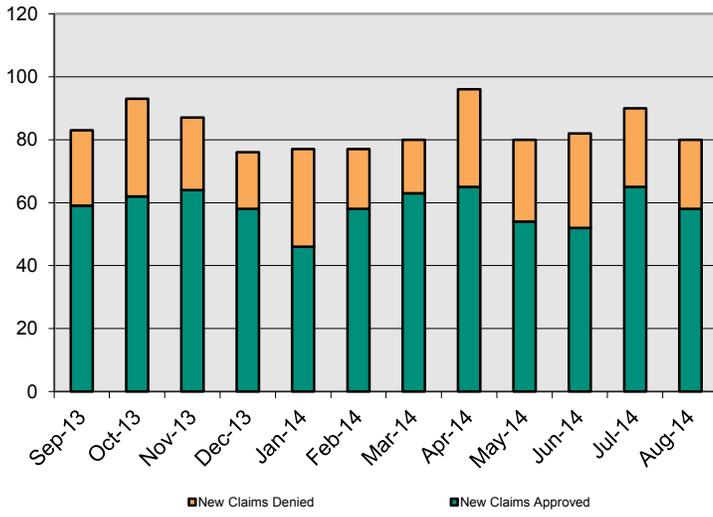
Packet Timeliness

Retired	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	CYTD
CY13	100%	97%	99%	99%	100%	99%	100%	99%	95%	99%	100%	100%	99%
CY14	100%	100%	100%	99%	98%	99%	99%						99%
Change	0%	3%	1%	0%	-2%	0%	-1%						0%
Non-Ret	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	CYTD
CY13	70%	81%	74%	77%	75%	89%	48%	63%	85%	88%	90%	83%	73%
CY14	67%	77%	78%	85%	86%	74%	70%						77%
Change	-4%	-5%	5%	10%	15%	-17%	46%						3%

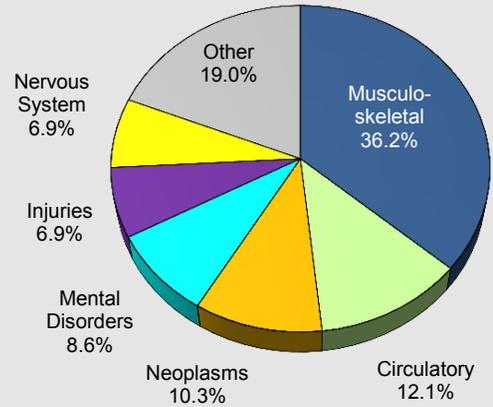
ASRS Disability Plans - Monthly Highlights

August 2014

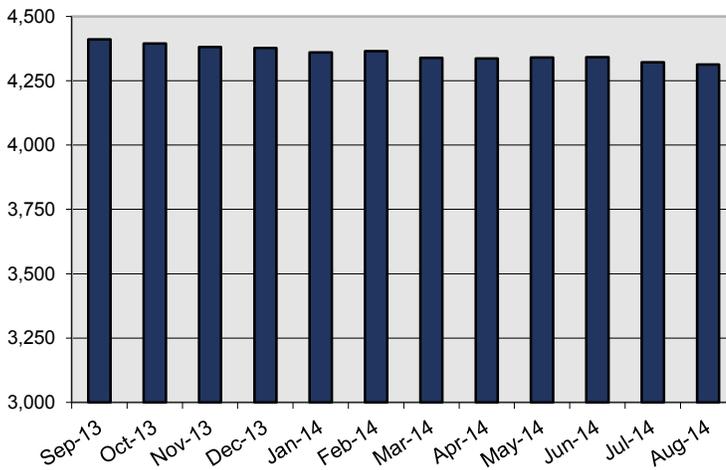
New Claims Processed



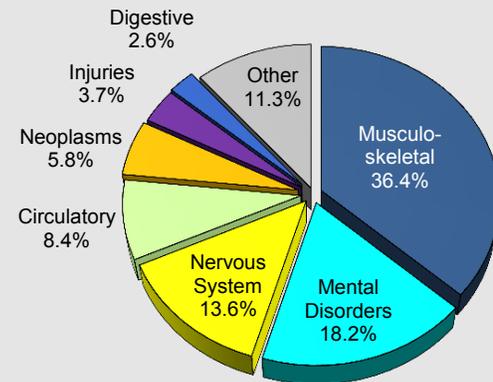
New Claims Approved



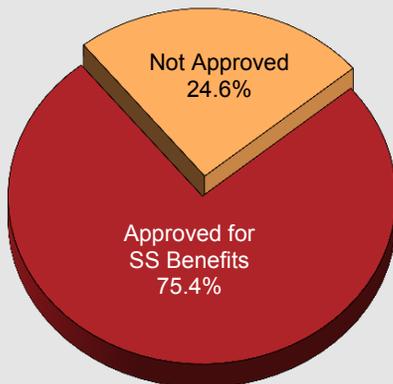
Open LTD Claims



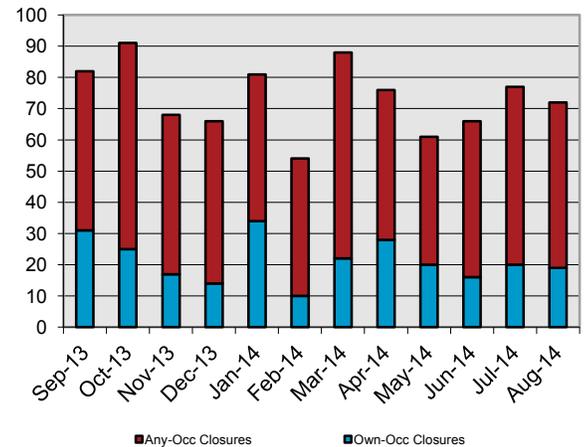
Open LTD Claims



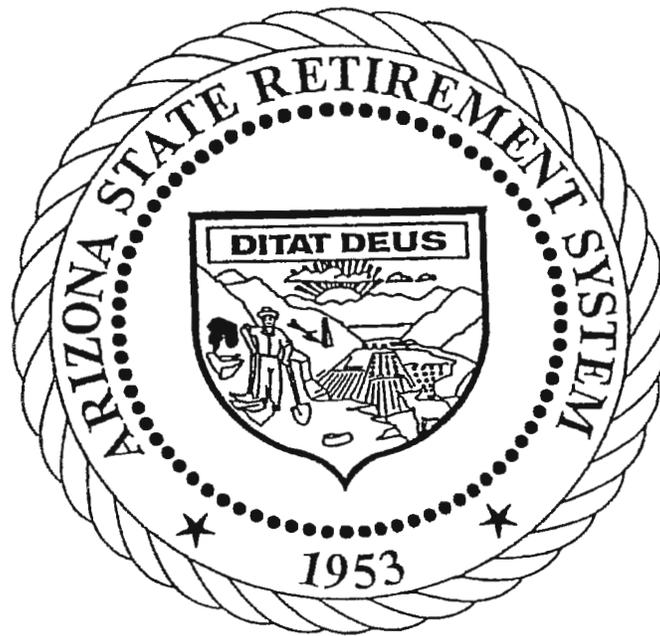
SS Approval Percentage



Active Claim Closures



Director's Report Budget & Staffing



Arizona State Retirement System
FY 2015 Appropriated Budget
(as of September 30, 2014)

	APPROPRIATIONS FISCAL YEAR 2015	EXPENDED YTD	% EXPENDED
OPERATING BUDGET			
Personal Services	\$ 12,757,000	\$ 2,563,700	20.10%
Employee Related Expenses	\$ 5,021,000	\$ 1,046,900	20.85%
Professional & Outside Services	\$ 1,079,300	\$ 208,100	19.28%
Travel	\$ 78,600	\$ 18,100	23.03%
Other Operating Expenses	\$ 2,684,800	\$ 379,800	14.15%
Equipment	\$ 389,500	\$ 16,200	4.16%
Operating Subtotal	\$ 22,010,200	\$ 4,232,800	19.23%
OTHER APPROPRIATIONS			
Long Term Disability Administration	\$ 2,800,000	\$ 404,200	14.44%
Oracle Forms and Reports Modernization (Yr. 2)	\$ 4,484,500	\$ 218,600	4.87%
TOTAL FY 2014 Appropriated Funds	\$ 29,294,700	\$ 4,855,600	16.58%

	APPROPRIATIONS PRIOR YEAR	EXPENDED TO DATE	% EXPENDED
PRIOR YEAR LEGISLATIVE APPROPRIATIONS (NON-LAPSING)			
FY 2014 - Oracle Forms and Reports Modernization (Yr. 1)	\$ 1,390,000	\$ 1,255,300	90.31%
FY 2014 - HB 2562 - 401(a) and LTD for Ineligibles	\$ 502,400	\$ 40,300	8.02%
FY 2012 - SB 1614 - ASRS Contribution Rate	\$ 600,000	\$ 595,700	99.28%
FY 2011 - HB 2389 - ASRS Plan Design Changes	\$ 1,341,700	\$ 1,244,900	92.79%

	APPROPRIATIONS REMAINING	EXPENDED YTD	% EXPENDED
PRIOR YEAR OPERATING APPROPRIATIONS (NON-LAPSING)			
FY 2011, ASRS Operating Budget & LTD Admin	\$ 796,800	\$ -	0.00%

Budget Summary for Fiscal Year 2015 As of September 30, 2014

Operating Budget

The operating budget information on the previous page is based on funding approved by the Board and the Legislature for fiscal year July 1, 2014 through June 30, 2015. These ASRS operating expenses are distinguished from other areas of ASRS spending authority: such as expenditures for investment management and benefits payments. Administrative salaries and employee benefits, supplies, equipment and ongoing operational costs associated with information and financial systems for the ASRS Board and ASRS employees are funded from the operating budget. Expenditures to date include six pay periods (23.1 % of the annual payrolls) of fiscal year 2015.

Other Appropriations

Other appropriations, which are considered part of the annual budget, represent other appropriations for specific programs or services authorized by the Board and the Legislature.

- **Long Term Disability Administration Fund**
The amount appropriated for the administration costs of the LTD program. Expended year-to-date amounts reflect payments for services through 8/31/2014.

- **Oracle Forms and Reports Modernization**
The amount appropriated (non-lapsing) for the second year of the software modernization project.

Non-Lapsing Appropriations for Legislative Initiatives

The amount appropriated by the Legislature for the implementation of:

- FY 2014 - Oracle Forms and Reports Modernization (Yr. 1)
- FY 2014 - HB 2562 - 401(a) and LTD for Ineligibles
- FY 2012 - SB 1614 - ASRS Contribution Rate
- FY 2011 - HB 2389 - ASRS Plan Design Changes
- FY 2011 - ASRS Operating Budget and LTD Admin
 - HB 2024, Section 93 modified the FY 2011 ASRS appropriations to be non-lapsing appropriations. The ASRS has the ability to utilize the unspent portion of these appropriations in ensuing fiscal years.

Explanation of Columns

- 1) The *Appropriations* column represents funds that have been approved by the Legislature and the ASRS Board for FY 2015, and includes prior year legislative appropriations.
- 2) The *Expended* column represents the expenditures to date.
- 3) The *% Expended* column identifies the portion of each line item that has been expended to date. This column is intended to be a guide to the rate of spending during the fiscal year.

ASRS FISCAL YEAR 2015, CONTINUOUSLY APPROPRIATED REPORT

(with summarized Appropriated Expenses)

DESCRIPTION	ESTIMATED ANNUAL EXPENSES <small>(Projections updated quarterly)</small>	EST. ANNUAL EXPENSES AS % OF AUM	EST. ANNUAL EXPENSES PER MEMBER
Custodial Banking, Security Lending and Master Cash STIF Fees	2,692,000		
Internal Investment Management (Salaries and Benefits)	1,500,000		
<u>Public Markets</u>			
External Investment Management Fees	77,298,000		
Transactional and Other Fees	3,865,000		
<u>Private Markets</u>			
Private Equity Management Fees	39,160,000		
Private Equity Performance Incentive and Other Fees	33,286,000		
Real Estate Management Fees	25,523,000		
Real Estate Performance Incentive and Other Fees	24,246,000		
Opportunistic Management Fees	15,000,000		
Opportunistic Performance Incentive and Other Fees	30,000,000		
Investment Management Expenses	\$ 252,570,000	0.730%	\$ 465.74
Investment Consulting Services	4,310,000		
Investment Related Legal Services	881,000		
Investment Electronic Information Services	1,714,000		
External Financial Consulting Services	75,000		
Investment Related Consulting, Legal and Information Services	\$ 6,980,000	0.020%	\$ 12.87
Rent	1,505,000	0.004%	\$ 2.78
Actuarial Consulting Fees	1,225,000	0.004%	\$ 2.26
Retiree Payroll (Disbursement Administration)	2,215,500	0.006%	\$ 4.09
Total Continuously Appropriated Expenses	\$ 264,495,500	0.765%	\$ 487.73
*Total Current Year Appropriated Expenses	\$ 29,794,700	0.086%	\$ 54.94
<small>*Includes estimate prior year non-lapsing legislative appropriations of \$500,000</small>			
Total Expenses (Continuously Appropriated and Appropriated)	\$ 294,290,200	0.851%	\$ 542.67

ASRS Estimated Total Market Value of Assets Under Management (AUM) as of June 30, 2014

\$ 34,584,497,000

ASRS Total Membership as of June 30, 2013

542,300

Continuously Appropriated Expenses for FY 2015 Estimated Expenditures

The Arizona State Retirement System (ASRS) investment and administrative costs are expended in accordance with Arizona Revised Statutes (A.R.S.), Title 38, Chapter 5, Article 2, Section 38-721. A.R.S. Section 38-721, Subsection C, lists specific expenditures that are continuously appropriated and are allowable in the amount deemed necessary by the Board.

These specific expenditures are described below:

1. Investment management fees and related consulting fees necessary to meet the Board's investment objectives

Internal Investment management

- ASRS Investment Management Division staff base salaries and employer portion of staff benefits and payroll taxes.

External investment management fees

- Public Markets
 - External investment management fees (public).
 - Transactional and other fees include foreign taxes and commissions on derivatives and other incidental costs.
- Private Markets
 - Private Equity, Real Estate and Opportunistic investment management fees.
 - Performance incentive fees include performance incentives and carried interest, which are only paid upon successful performance of the manager after other return hurdles are met. Other fees are the ASRS proportional share of the transactional and operational cost of the underlying investment structure. Each of these fees is only paid if earned or incurred, and therefore may vary each quarter.

Investment consulting fees

- Includes investment related consulting and legal fees, electronic information services and subscriptions, custodial banking administrative fees, external auditing service fees.

2. Rent

- Costs associated with rent as tenants for occupancy in the 3300 Tower in Phoenix and in the satellite office in Tucson.

3. Actuarial consulting fees

- Costs associated with actuarial services related to plan design, administration and valuations.

4. Retiree Payroll

- Costs associated with administering retiree pension benefits and disbursements, including third-party payroll administration fees, postage and benefit related consulting fees.
-

The report includes projected expenditures for the current fiscal year. Actual expenditures will be reported monthly and estimated annual expenses will be reviewed and adjusted quarterly.

ASRS Cost Savings Initiatives
Estimated as of June 30, 2013, in Millions of Dollars

Action	Calendar Year Proposed	Calendar Year Adopted	Reduction in Total Contribution Rate*	Annual Reduction in Total Contribution Amount	Present Value of Savings on Closed Group Basis		Present Value of Savings on Open Group (No Growth**) Basis		
					Past	Future	Past	Future	
Cost Savings Initiatives Contained in Current Valuation & Reflected in Lower Current Contribution Rate¹						Past	Future	Past	Future
1 Change basis for service purchases from normal cost to actuarial present value (APV)	2003	2004	0.60%	\$52.51	\$667.40	\$366.18	\$667.40	\$1,141.52	
2 Correction of Permanent Benefit Increase (PBI) reserve	2003	2004	0.04%	\$3.50	\$44.30	\$24.41	\$44.30	\$24.41	
3 Decrease interest credited on withdrawn contributions from 8% to 4%	2004	2004	0.27%	\$23.63	\$349.95	\$164.79	\$349.95	\$513.70	
4 Decrease interest credited on withdrawn contributions from 4% to 2%	2012	2012	0.44%	\$38.51	\$40.58	\$268.55	\$40.58	\$837.17	
5 Redesign non-retired survivor benefits***	2013	2013	0.02%	\$1.75	\$1.84	\$12.20	\$1.84	\$38.04	
sub-total, past and future			1.37%	\$119.90	\$1,104.07	\$836.13	\$1,104.07	\$2,554.84	
sub-total, savings in current valuation			1.37%	\$119.90	\$1,940.20		\$3,658.91		
Cost Savings Initiatives Contained in Future Experience²						Past	Future	Past	Future
6 Long Term Disability (LTD) program design changes	2003	2004	0.02%	\$1.75	\$26.52	\$12.20	\$26.52	\$38.04	
7 Reimbursements for early retirement incentives	2003	2004	0.18%	\$15.75	\$233.08	\$109.83	\$233.08	\$342.39	
8 Increase interest rate on payroll deduction agreements (PDAs) from 0% to 8%	2004	2004	0.16%	\$14.00	\$207.62	\$97.63	\$207.62	\$304.35	
9 Pop-up restrictions	2005	2006	0.41%	\$37.51	\$415.67	\$261.58	\$415.67	\$815.43	
10 Rescinding modified Deferred Retirement Option Plan (mDROP)	2005	2006	0.50%	\$43.72	\$499.68	\$304.89	\$499.68	\$950.43	
11 LTD changes to offsets and pre-existing condition period	2005	2007	0.15%	\$13.13	\$128.03	\$91.56	\$128.03	\$285.43	
12 Recapture of unclaimed monies	2007	2008	0.01%	\$0.56	\$5.59	\$3.91	\$5.59	\$12.17	
13 Eliminate 80% cap on retirement benefits	2008	2009	0.04%	\$3.50	\$18.13	\$24.41	\$18.13	\$76.09	
14 Require 20/20 Rule for dual employment situations	2009	2009	0.04%	\$3.25	\$16.77	\$22.66	\$16.77	\$70.65	
15 Eliminate enhanced refunds****	2005	2010	0.16%	\$14.07	\$31.19	\$98.12	\$31.19	\$305.87	
16 Replace Rule of 80 with Rule of 85****	2006	2010	0.30%	\$26.38	\$58.47	\$183.96	\$58.47	\$573.48	
17 Replace 36-month average salary with 60-month average****	2006	2010	0.25%	\$21.99	\$48.73	\$153.35	\$48.73	\$478.04	
18 Apply Alternative Contribution Rate (ACR) to return-to-work****	2011	2011	0.25%	\$21.99	\$48.73	\$153.35	\$48.73	\$478.04	
19 Compute service purchases with 6% discount rate	2012	2012	0.08%	\$7.08	\$7.46	\$49.37	\$7.46	\$153.91	
20 Eliminate service purchases through partial lump sums	2012	2012	0.07%	\$5.74	\$6.05	\$40.03	\$6.05	\$124.78	
21 Eliminate Permanent Benefit Increases for future members	2013	2013	0.11%	\$9.63	\$10.15	\$67.16	\$10.15	\$209.35	
Non-ASRS Initiatives						Past	Future	Past	Future
22 Replace Rule of 85 with 55&30 or 60&25****	2011	2011	0.00%	\$0.60	\$1.30	\$4.18	\$1.30	\$13.04	
23 Change pre-retirement death benefit to sum of employee and employer balances (ASRS Initiative)	2011	2011	0.04%	\$3.22	\$7.13	\$22.45	\$7.13	\$70.00	
24 Adopt 6-month delay in contributions from state members****	2011	2011	-0.13%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
25 Prospective cost-shift of 6-month delay (not included in totals)****	2011	2011	N/A	(\$11.63)	(\$25.48)	(\$81.08)	(\$25.48)	(\$252.74)	
sub-total, past and future			2.64%	\$243.87	\$1,770.30	\$1,700.64	\$1,770.30	\$5,301.49	
sub-total, savings emerging in experience			2.64%	\$243.87	\$3,470.94		\$7,071.79		
GRAND TOTAL			4.01%	\$363.77	\$5,411.14		\$10,730.70		

*These changes to the total contribution rate are multiplied by current payroll to give annual savings amounts in the next column. The annual savings amounts are then converted to the present values shown in the last two columns. These values include both accumulated past savings and estimated future savings. The savings from basing service purchases on actuarial present value is a reduction in future service liabilities. For the reduction in the interest crediting rate and the changes to LTD offsets and pre-existing condition period, the savings arise from reductions in future service and past service liabilities. Other Actuarial Valuation Basis savings are reductions to past service liabilities, i.e., capitalizations of the annual savings amounts over 30 years. Recapture of unclaimed monies will occur every year, but the numbers above are converted to a level annual savings amount.

** No growth scenario means that the projection maintains the size and age distribution characteristics of the current active population.

*** Redesign includes removal of \$5,000 requirement to elect an annuity and elimination of the present value calculation.

**** Savings will increase each year, from zero to the open-group amount, as new hires become subject to the new provisions.

*****6-month delay will eliminate contributions for members with less than 6 months of service at the valuation date, but will transfer costs to other members and employers.

Cost will increase each year, from zero to the open-group amount as new hires are subject to the new rules.

Costs above give the combined effect of each bill -- if a bill changes three plan provisions, the cost of each reflects the adoption of the other two provisions.

Some of these changes will not be reflected in their entirety in the current valuation report, but will be captured in future reports as actuarial gains. For example, the Plan valuation contains no assumption on Payroll Deduction Agreements (PDAs), so the absence of interest charges in the past has been reflected as an actuarial loss. The change to 8% interest charges will end the losses and eventually reduce the total contribution rate by 0.16%.

Explanation of Cost Reduction Initiatives

¹ASRS changed the basis for service purchases from the average normal cost rate to the actuarial present value rate. In this way, members who buy service pay the entire cost of their service purchases, and the purchases have no effect on contribution rates.

¹ASRS reduced the rate of interest credited on members' account balances from 8% to 4% as of July 1, 2005.

¹The 2001 addition to the Permanent Benefit Increase reserve was overstated in that year. ASRS corrected the reserve and thereby reduced the reserve committed to future Permanent Benefit Increase awards.

²Members can enter into Payroll Deduction Agreements to purchase service over time through payroll deduction. ASRS revised the method of calculating payments under these agreements to include 8% annual interest.

²ASRS members have been able to change the form of benefit they elect (e.g., joint & survivor to straight life) after they have begun to receive payments, and to do so as many times as they want whenever they want. By legislative action, this ability will be limited to a one-time election to change to a single life pension.

²Some ASRS employers have offered their employees incentives to retire early. These incentives can increase ASRS liabilities. By legislative action, future incentives will be funded by the employers who offer them.

²By legislative action, the modified Deferred Retirement Option Plan, which would have allowed members to earn as much as six years of service for three years of work, was rescinded.

²The legislature closed certain loopholes in the Long Term Disability program that allowed members to receive benefits for a longer period than intended.

²Legislation increased the offsets for Social Security income to 85% and extended the pre-existing condition period to six months.

²2008 Legislation exempts ASRS from unclaimed property procedures and allows ASRS to recapture assets abandoned after participant's age 73.5.

²2009 Legislation eliminated the 80% cap on benefits that had been in place since 2001.

²2009 Legislation requires a member to meet membership (20/20 Rule) in ASRS before contributing to a second employer, subject to a grandfathering clause.

²Upon withdrawal, members receive 25-100% of employer contributions depending on years of service. 2010 Legislation eliminates the return of employer contributions for members hired on or after July 1, 2011. Since 2010 changes are for prospective members only, we show open-group present values.

²Normal retirement can be achieved when a member's age + years of service equals 80 (points). 2010 Legislation requires members hired on or after July 1, 2011 to reach 85 points for normal

²Retirement benefits are calculated based on an average of the member's highest 36 months of salary in the 10 years prior to retirement. 2010 Legislation substitutes a 60 month average for members hired on or after July 1, 2011.

These rows represent legislative initiatives from non-ASRS sources.

2011 legislation replaced rule of 85 for members hired after 6/30/2011 with age 55 and 30 years of service or age 60 with 25 years of service.

2011 legislation changed the split of member/employer contributions from 50%/50% to 53%/47%, effective 7/1/2011

2011 legislation instituted a 6-month delay in contributions from or on behalf of members with less than 6 months of service, effective 7/1/2011.

**Arizona State Retirement System
Staffing Report
(September 30, 2014)**

ASRS by Division	247 Full Time Equivalents (FTEs)	New Hires	New Exits	Vacancies	Vacancy Rate
Administrative Services Division (ASD)	16	1.0	0.0	1.5	9.38%
Director's Office (DIR)	11	1.0	0.0	0.0	0.00%
External Affairs (EAD)	11	1.0	0.0	0.0	0.00%
Financial Services (FSD)	62	0.0	0.25	2.75	4.44%
Technology Services (TSD)	48	2.0	2.0	5.0	10.42%
Internal Audit (IAD)	5	0.0	0.0	0	0.00%
Investment Management (IMD)	11	0.0	0.0	2.0	18.18%
Member Services (MSD)	83	0.0	1.0	3.0	3.61%
	247	5.0	3.25	14.25	5.77%

Turnover	September 2014 New Hires	September 2014 Exits	Total Exits (Last 12 Months)	Annualized Turnover %
	5.0	3.25	29	12.58%

DIR – Administrative Project Analyst: Currently recruiting for one position
 IMD – Assistant Portfolio Manager: Currently recruiting
 TSD – Help Desk Analyst: Currently recruiting
 TSD – Software Engineer (2): Currently recruiting for two positions
 TSD – Project Management/Business Analyst: Currently recruiting
 TSD – Technical Lead: Currently recruiting

Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
MSD	MAC (Call Center)	● ○ ○	
MSD	One-on-one Counseling (Appointments/Walk-ins)	● ○ ○	
MSD	E-mail and Written Correspondence	● ○ ○	
MSD	Outreach Education	● ○ ○	
MSD	Tucson: Appointments/Walk-ins/Outreach	● ○ ○	
MSD	Benefit Estimates	● ○ ○	
FSD	Monthly Pension Payroll Processing	● ○ ○	
FSD	New Retiree Processing	○ ● ○	During September 2014, New Retiree Processing did not meet their strategic objectives for audits and adjustments. Two experienced FTEs are on extended leave and three new hires are in training. New Retiree Processing will return to normal risk once training has been completed and all FTEs have returned.
MSD	New Retiree Processing	● ○ ○	
FSD	Survivor Benefit Processing	● ○ ○	
MSD	Survivor Benefit Processing	● ○ ○	

Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
MSD	Refund Processing	●○○○	
MSD/FSD	Service Purchase Processing	●○○○	
FSD	Records Management (data processing/imaging)	●○○○	
IA	Internal Audit	●○○○	
EA	Employer Relations	●○○○	
EA	Rule Writing	●○○○	Up to September 2014, limited rule writing functions had been carried out by ASRS staff and through the procurement of outside professional services. In mid-September 2014, the Rules Writer position was filled.
EA	Legislative Relations	●○○○	
EA	Communications/Media Relations	●○○○	
EA	Web Services	●○○○	
EA	Health Insurance/LTD Benefits Administration and Communication	●○○○	
MSD	LTD Member Contacts, Benefit Processing	●○○○	

Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
FSD	Health Insurance Member Contacts, Benefit Processing Transfer Processing	● ○ ○	
MSD	Health Insurance	● ○ ○	
FSD	Transfer Processing	● ○ ○	
FSD	General Accounting	● ○ ○	
FSD	Contribution Collections and Posting	● ○ ○	
TSD	Network Support	○ ● ○	The addition of the security professional has helped in our security activities while demonstrating the need for more resources to continue to mature the security program. In addition, our current daily tasks continue to consume our Tier I and Tier II resources making it difficult to manage user requests and complete the system upgrades. Network Support is currently recruiting for a Help Desk Analyst.
TSD	Business Applications Development and Support	● ○ ○	The planned workload requires a complement of 44 total resources (31 FTEs and 13 external resources). Our current complement of resources is 41 (27 FTEs and 14 external resources). In September one FTE left and one external resource left. Currently recruiting for four FTEs, one Technical lead, two Software Engineers and one Project Manager/Business Analyst
IMD	Investment Management	● ○ ○	
DIR	Board/Executive Staff Support	○ ● ○	The management support staff struggled to meet business needs and strategic objectives. Recruitment for one position was completed in

Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
			September; recruitment for one remaining vacancy is underway. Greater than normal risk will continue until the recruitment is complete and the new hires complete training.
DIR	Strategic Planning/Analysis	○●○	Recruitment for one position was completed in September 2014. Normal Risk will be noted once training has been completed.
ASD	Human Resources	●○○	
ASD	Training and Development	●○○	
ASD	Contracts and Procurement	●○○	
ASD	Facilities Management	●○○	
ASD	Budget Administration	●○○	

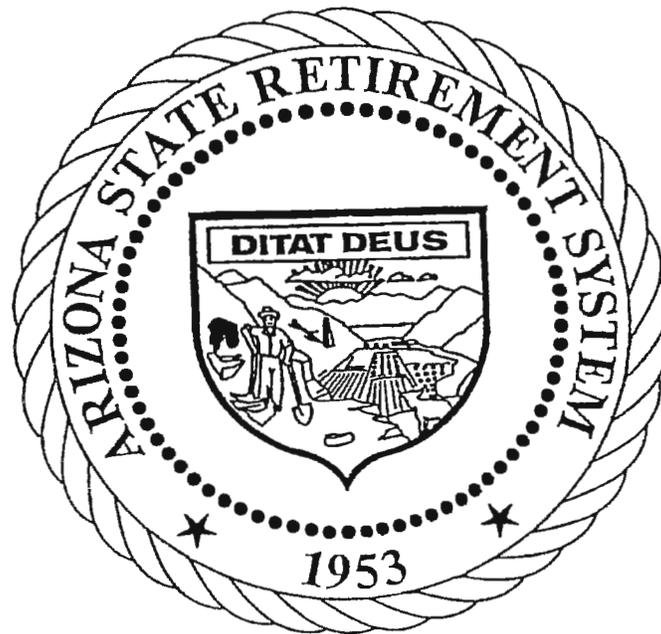
ASRS 2014 Out of State Travel Expenditures

*Numbers are Unaudited

<u>Date</u>	<u>Purpose</u>	<u>Location</u>	<u>Attendee</u>	<u>Cost</u>
July 27 - 30, 2014	NCSSSA Conference	New Orleans, LA	Michele Briggs	\$1,686.65
July 27 - Aug. 2, 2014	2014 AICPA Business Valuation Schools	Denver, CO	Kerry White	\$1,171.40
July 29- Aug. 2, 2014	ALEC Conference	Dallas, TX	Nicholas Ponder	\$1,979.14
August 2 - 6, 2014	NASRA Conference	Asheville, NC	Paul Matson	\$2,834.66
August 2 - 6, 2014	NASRA Conference	Asheville, NC	Dick Jacob	\$2,780.06
August 6 - 10, 2014	DEFCON Convention	Las Vegas, NV	Nick Dalmolin	\$1,389.83
August 6 - 10, 2014	DEFCON Convention	Las Vegas, NV	John Davis	\$1,093.61
August 18 - 22, 2014	NCSL Conference	Minneapolis, MN	Nicholas Ponder	\$2,463.96
August 23 - 27, 2014	NGIP Conference	Philadelphia, PA	Bruce Pampel	\$2,512.70
September 16 - 19, 2014	Due Diligence Annual Meetings	Cincinnati, OH; San Francisco, CA San Jose, CA Los Angeles, CA	Karl Polen	\$451.76
September 27 - Oct. 3, 2014	2014 NASIO Conference	Kissimmee, FL	Gary Dokes	\$157.25
			Total:	\$13,683.83

*Final amounts may vary due to adjustments in per diem and reimbursements.

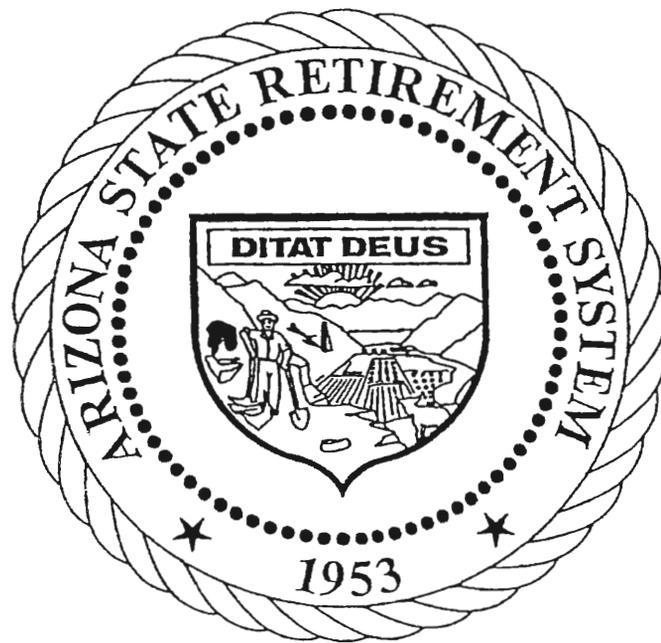
Director's Report Cash Flow Statement



ARIZONA STATE RETIREMENT SYSTEM
COMBINED STATEMENT OF CHANGES IN TOTAL FUND CASH
FOR THE MONTH ENDED SEPTEMBER 30, 2014

	Retirement Plan Fund	Retirement System Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Current Period September	Fiscal 2015 YTD September	Fiscal 2014 YTD September
ADDITIONS							
Contributions							
Member contributions	\$ 82,887,985	\$ 3,149	\$ -	\$ 867,825	\$ 83,758,960	\$ 224,748,884	\$ 217,619,386
Employer contributions	79,587,030	3,149	4,260,838	867,784	84,718,801	225,873,280	218,105,342
Alternative contributions (ACR)	2,122,709	-	45,601	13,680	2,181,989	5,244,989	4,821,262
Transfers from other plans	191,341	-	-	-	191,341	237,658	199,725
Purchased service	2,478,306	-	-	-	2,478,306	7,597,252	11,943,463
TOTAL CONTRIBUTIONS	167,267,371	6,299	4,306,439	1,749,289	173,329,398	463,702,063	452,689,179
DEDUCTIONS							
Investment management fees	914,312	-	-	-	914,312	18,369,583	15,339,446
Custody fees	-	-	-	-	-	-	-
Consultant and legal fees	517,604	-	-	-	517,604	769,418	313,528
Internal investment activity expense	105,931	-	-	-	105,931	351,574	621,525
Retirement and disability benefits	214,049,543	3,240,063	8,565,929	5,373,346	231,228,881	705,987,592	681,245,085
Survivor benefits	2,120,925	-	-	-	2,120,925	9,240,998	9,918,971
Refunds to withdrawing members, including interest	20,838,710	8,798	-	-	20,847,508	76,261,804	77,303,993
Administrative expenses	2,041,234	-	-	192,859	2,234,093	7,101,518	6,813,738
Transfers to other plans	13,024	-	-	-	13,024	196,788	236,696
Other	31	-	-	-	31	4,269	12,393
TOTAL DEDUCTIONS	240,601,314	3,248,861	8,565,929	5,566,205	257,982,309	818,283,544	791,805,375
INCREASE (DECREASE)	(73,333,943)	(3,242,562)	(4,259,490)	(3,816,916)	(84,652,911)	(354,581,481)	(339,116,196)
From securities lending activities:							
Security loan program	144,279	-	-	-	144,279	407,891	784,212
Security loan interest expense / (Rebate)	(17,536)	-	-	-	(17,536)	(77,676)	40,124
Net income from securities lending activities	161,815	-	-	-	161,815	485,567	744,088
Capital Calls / (Distributions)							
Farmland and Timber	9,823,709	118,655	435,542	-	10,377,907	10,377,907	64,871,308
Opportunistic Debt	52,008,326	565,159	2,292,220	-	54,865,705	122,227,066	28,583,408
Opportunistic Equity	35,345,530	371,851	1,556,903	-	37,274,284	19,614,619	30,875,425
Private Debt	(3,562,970)	(48,173)	(164,770)	-	(3,775,913)	37,524,644	128,971,909
Private Equity	11,043,178	-	522,697	-	11,565,876	69,087,815	(19,880,905)
Real Estate	(97,995,385)	(1,120,682)	(4,355,770)	-	(103,471,838)	(59,828,549)	(84,088,120)
TOTAL Capital Calls	6,662,388	(113,190)	286,823	-	6,836,021	199,003,502	149,333,025
NET INCREASE (DECREASE)	\$ (79,834,516)	\$ (3,129,372)	\$ (4,546,313)	\$ (3,816,916)	\$ (91,327,117)	\$ (553,099,416)	\$ (487,705,133)

Director's Report Appeals

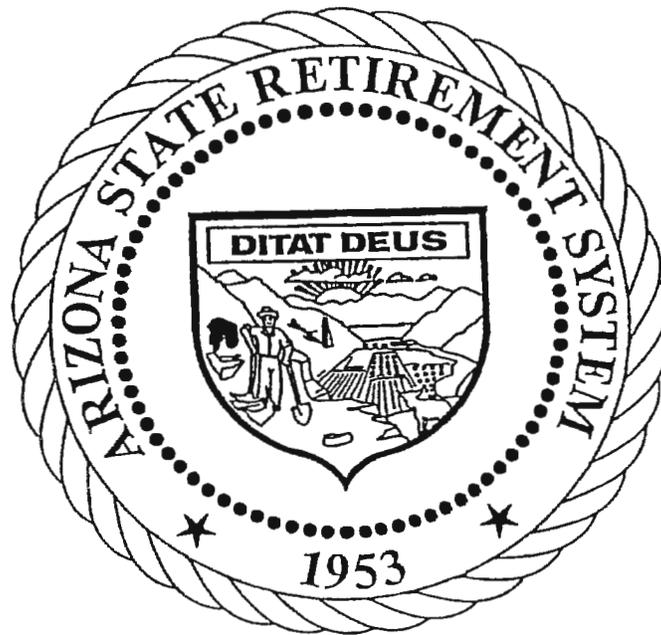


OUTSTANDING ASRS APPEALS

Date Received	Appeals	Issues/Questions Regarding	Status/Comments
04/16/2012	Arizona State University	Appellant is disputing an ASRS employer termination incentive program invoice.	ASU appealed to the Court of Appeals 02/12/2014. Court of Appeals case number is CA-CV 14-0083. Briefing completed 09/03/2014.
06/21/2012	Bonnie Pendergast	Appellant is seeking to purchase 9.89 service years.	ASRS Board denied service purchase in excess of five years. Superior Court overturned ASRS Board decision. Court of Appeals upheld Superior court decision. ASRS filed Petition for Review to the AZ Supreme Court on 07/01/2014. Pendergast filed Response to ASRS Petition on 10/09/2014.
07/01/2014	Lenny Tasa-Bennett	Disputing the denial of his LTD benefits.	OAH Hearing held on 08/18/2014. Recommended decision on 10/24/2014 agenda for Board action.
07/14/2014	Richard K. Hillis & Sharon Di Giacinto	Disputing the ASRS determination that a DRO term is unacceptable.	OAH Hearing re-scheduled for 10/22/2014.
10/06/2014	Elana Kaminski	Disputing membership eligibility from July 2006 through June 2012.	OAH Hearing Scheduled for 12/10/2014.

- Please note any updates have been bolded.

Director's Report Employers Reporting





ARIZONA STATE RETIREMENT SYSTEM

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

Paul Matson
Director

MEMORANDUM

TO: Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board
FROM: Mr. Paul Matson, Director
DATE: October 14, 2014
RE: Delinquent Employers

As of October 14, 2014, the following employers have failed to remit contributions by a date certain. These employers have received a letter advising them that the ASRS will initiate collection procedures unless they contact us within five days:

Starshine Academy	\$ 18,000
Destiny School	\$ 23,000*
Westwind Academy	\$ 29,000
Caurus Academy	\$ 18,000
Park View Middle School	\$ 11,000
Town of Miami	\$ 13,000*
Sonoran Science Academy-Tucson	\$ 13,000*
Sonoran Science Academy-Phoenix	<u>\$ 4,000*</u>
Total	\$129,000*

*Estimated amount

Additionally, the following employer has filed for Chapter 11 Bankruptcy Protection and are delinquent in their ASRS contributions:

Luz Academy of Tucson	\$ 18,600
-----------------------	-----------

Total	\$147,600.*
--------------	--------------------

Agenda Item

#14

No Materials