



financial HORIZONS

An annual publication of the Arizona State Retirement System · 2018

As the Arizona State Retirement System celebrates our 65th anniversary throughout 2018, we would like to take a moment and reinforce our vision of being a top performing, sustainable plan for our members. We're proud to serve an amazing contingent of members and retirees!



The Financial Status of the ASRS *by Paul Matson, Executive Director*

to provide a solid piece of retirement security to Arizona's valued public servants.

Members can be confident that their retirement plan will be here to provide the life-long benefits for them in retirement.

Each year the ASRS compiles a Comprehensive Annual Financial Report (CAFR) detailing the financial status of the ASRS trust fund and the various plans it oversees, including the primary defined benefit pension plan. Please see our summary of the most recent year-end information on page two.

For the fiscal year ending June 30, 2017, the funded status of the plan – the ratio of the present value of future benefits

The Arizona State Retirement System is marking its 65th Anniversary this year. It continues to be a privilege to the actuarial value of assets to pay those benefits – was 70.5 percent. That represents a decrease from the previous year due to new actuarial assumptions being adopted which will, in the long-term, have a positive effect on the funding levels. The changes in actuarial assumptions include adopting new mortality tables that reflect increased longevity among retirees, a reduction in future expected investment returns from 8.0 percent to 7.5 percent, and a pre-funding of possible future permanent benefit increases (PBI's). Combined, these and other more modest changes are expected to lead to an even more stable plan over time, although putting modest upward pressure on contribution rates for the next few years.

The next annual report will be available in the late fall and our next CAFR will be produced by the end of 2018. Our very preliminary numbers show an estimated rate of return of approximately 9.5 percent

for the year ending June 30, 2018. While this is preliminary, such a positive return would have a modest positive impact on the funded status for the fiscal year just ended.

With a well-thought investment allocation plan, a highly professional investment staff, and solid oversight, the approximately \$40 billion ASRS investment portfolio is able to routinely produce returns above industry and peer benchmarks.

With a plan design that has equal contributions being made by members and employers, our professional investment plan and oversight, and a solid funding plan, the Arizona State Retirement System is able to offer sustainable pension, health insurance, and long term disability plans for the benefit of our members and retirees for the next 65 years – and well beyond. |

A Look at the Numbers...

Each year, the ASRS compiles a Comprehensive Annual Financial Report, detailing the funding status and position of the overall ASRS trust fund and our various plans. Below is a snapshot of some of the overarching numbers. Note that these numbers are for fiscal year which ended June 30, 2017. Reports for fiscal year 2018, which just ended this past June, are still being compiled.

The full report, as well as a reader-friendly summary - the Popular Annual Financial Report - can be found on our website at AzASRS.gov/AnnualReports. Here is a brief summary of some broad figures

Rate of Return

13.9%, for fiscal year 2017

This represents the combined rate of return from the ASRS investments.

Funded Status

\$38 Billion (70.5% Funded)

The funded status of 70.5% is a decrease from previous years, primarily due to new methodologies and assumptions that include, amongst other things, longer life expectancies.

Members

Total Members:

586,448

Participating Employers:

683

Contribution Rates

for fiscal year 2018

The rate at which an employee pays into their pension account, as well the rate employers pay towards their employee's pension accounts. These adjust yearly based on experience as well as projections and assumptions.

	Retirement Pension & Health Insurance Benefit	LTD Income Plan	TOTAL
Employee	11.64%	0.16%	11.80%
Employer	11.64%	0.16%	11.80%

Recipients

- Average Monthly Retirement Benefit: **\$1,668**
- Average Age: **70.9**

More information: *Annual Reports* at

AzASRS.gov |

Demographics

- Active Members: **206,055**
- Avg. Age: 45.4, Avg Annual Salary: \$46,581
- Inactive Members: **228,490**
- Retired Members & Survivor Beneficiaries: **148,401**
- Long Term Disability (LTD) Members: **3,583**



For the 29th consecutive year, the ASRS has been awarded the Certificate of Achievement for Excellence in Financial Reporting for its 2017 Comprehensive Annual Financial Report. The award by the Government Finance Officers Association of the United States and Canada (GFOA) recognizes "achievement in the highest standards." Also recognized was our 2017 Popular Annual Financial Report, a reader-friendly summary of the full report.



Is Personal Savings part of your Retirement Strategy? (Hint: it should be!)

by Dave Cannella, Media Relations

One of the most comforting features of an ASRS pension is knowing it's a life-long benefit. Having a steady income stream, regardless of the current (or future) economic climate or ups and downs of the markets can provide peace-of-mind for retirees.

While that's a solid start, your ASRS retirement benefit, by design, is not intended to replace your working income – it's one piece of the pie that makes up your retirement plan.

Personal Savings Can Make a Difference!

For active members today, it's important to add personal savings into your retirement plan:

- ASRS pension
- + Social Security benefit
- + Personal savings

Solid Retirement Plan!

Active members can get a good estimate of what their benefit will be in retirement

and can make plans around that benefit estimate by logging into their myASRS account. As you begin to formulate your retirement savings plan, keep two things in mind:

- 1) Your ASRS retirement benefit does not include built-in “raises” – and that's unlikely to change during retirement.
- 2) Health insurance is a major expense – one that is often under planned for.

Supplement Your Savings

A supplemental savings plan can be beneficial in providing that extra retirement income to hedge inflation and offset unexpected or unplanned for expenses.

The ASRS offers two types of supplemental savings plans that members can access through their employers. Ask your employer if they offer either of the ASRS supplemental savings plans – the SSRP, or the SSDP. If they do, get started today by setting up an account and

commit regular contributions (even a small amount makes a difference) through payroll deduction. Starting small and increasing your contributions over time can have a positive impact on your total retirement financial plan.

The ASRS supplemental savings plans offer low-fee, tax-deferred saving options and are administered by Nationwide Retirement Solutions.

To learn more about the ASRS supplemental savings plans visit AzASRS.gov and click on “Supplement Your Retirement” under the Members tab.

You can also ask your employer for additional information or reach out directly to Nationwide via AzSRSP.com. |

Legislative Updates by Jessica Thomas, Government Relations Officer

The 53rd Legislature—Second Regular Session adjourned sine die at 12:26 a.m. on May 4, 2018. The Legislature passed two bills that have a relatively minor impact on members and retirees. Below is a brief summary. You can also find more detailed information about these bills and other retirement-related on the ASRS Bill tracker.

Senate Bill 1054: ASRS; Nonparticipating Employers

This bill makes changes to the definition of “nonparticipating employer” for the purposes of charging a liability created by an employer who either has current or prospective employees no longer

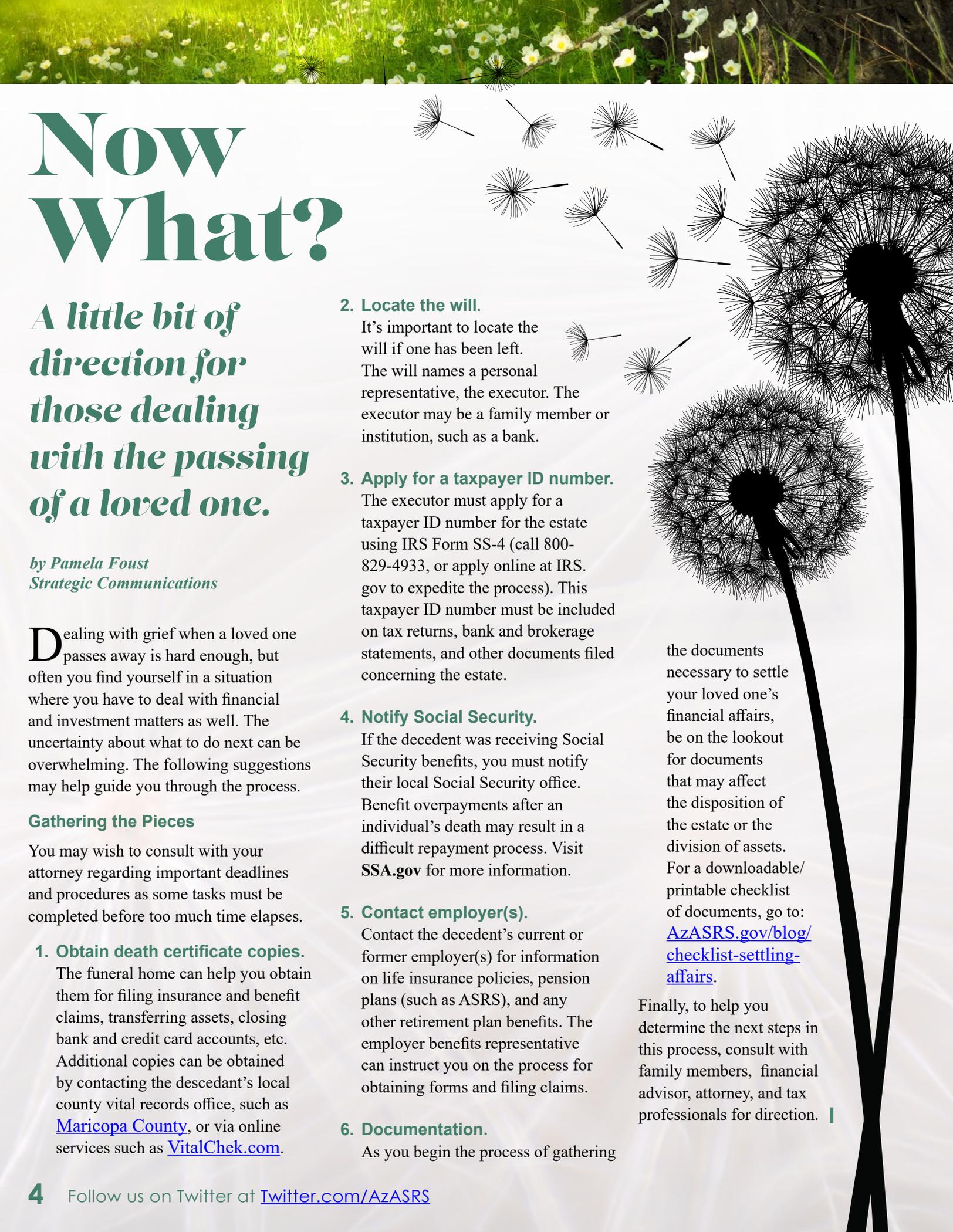
participating in the ASRS. Such scenarios may occur if an employer ceases ASRS participation.

Senate Bill 1524: Budget Procedures; BRB; 2018-19

This bill makes changes to the reporting requirements for state retirement systems. By December 1 each year, the ASRS shall report the following information to the Governor, the Speaker of the House of Representatives, and the President of the Senate (*The ASRS previously reported this information by December 15 each year, now this information will be available by December 1 each year.*):

1. The contribution rates for the ensuing fiscal year;
2. The unfunded actuarial accrued liability;
3. The funded status based on the actuarial and market value of assets;
4. The annualized rate of return; and
5. The 10-year rate of return as of June 30 of the prior fiscal year.

Be sure to visit our website to see the latest legislative updates, state statutes and administrative rules related to the ASRS and public retirement plans. | 3



Now What?

A little bit of direction for those dealing with the passing of a loved one.

*by Pamela Foust
Strategic Communications*

Dealing with grief when a loved one passes away is hard enough, but often you find yourself in a situation where you have to deal with financial and investment matters as well. The uncertainty about what to do next can be overwhelming. The following suggestions may help guide you through the process.

Gathering the Pieces

You may wish to consult with your attorney regarding important deadlines and procedures as some tasks must be completed before too much time elapses.

1. Obtain death certificate copies.

The funeral home can help you obtain them for filing insurance and benefit claims, transferring assets, closing bank and credit card accounts, etc. Additional copies can be obtained by contacting the decedent's local county vital records office, such as [Maricopa County](#), or via online services such as [VitalChek.com](#).

2. Locate the will.

It's important to locate the will if one has been left. The will names a personal representative, the executor. The executor may be a family member or institution, such as a bank.

3. Apply for a taxpayer ID number.

The executor must apply for a taxpayer ID number for the estate using IRS Form SS-4 (call 800-829-4933, or apply online at [IRS.gov](#) to expedite the process). This taxpayer ID number must be included on tax returns, bank and brokerage statements, and other documents filed concerning the estate.

4. Notify Social Security.

If the decedent was receiving Social Security benefits, you must notify their local Social Security office. Benefit overpayments after an individual's death may result in a difficult repayment process. Visit [SSA.gov](#) for more information.

5. Contact employer(s).

Contact the decedent's current or former employer(s) for information on life insurance policies, pension plans (such as ASRS), and any other retirement plan benefits. The employer benefits representative can instruct you on the process for obtaining forms and filing claims.

6. Documentation.

As you begin the process of gathering

the documents necessary to settle your loved one's financial affairs, be on the lookout for documents that may affect the disposition of the estate or the division of assets. For a downloadable/printable checklist of documents, go to: [AzASRS.gov/blog/checklist-settling-affairs](#).

Finally, to help you determine the next steps in this process, consult with family members, financial advisor, attorney, and tax professionals for direction. |

Is Your Email Address Current? Who's Your Beneficiary?

by Nathaniel Brengle, Strategic Communications

It's easy to overlook – You set up your secure ASRS account when you first become a member, you enter all your contact information, and then it's all on autopilot until you retire, right??

Close, but not quite! Mailing addresses, email addresses, and phone numbers can easily change as the years pass, and it's important that when they do, you log into your account at **AzASRS.gov** and update them. This is important for a number of reasons: it keeps your account (and your hard earned money) safe and secure, and it also allows us to periodically send you information that keeps you in the know about all things ASRS.

One often overlooked piece of information that's also necessary to

keep current: your primary beneficiary. Whether you're mid-career, about to retire, or long into your retirement... it's important to have a primary beneficiary on file. It's also important to keep it current, as life situations could periodically change your mind on who should be the primary person to receive a financial benefit in the event of your passing.

A couple of notes: you can have multiple beneficiaries and define how funds are to be split amongst them - as long as the percentages add up to 100%. Divorce automatically nullifies a named spouse as a beneficiary. Also, should you wish, you can name a trust or an organization as a beneficiary – you just need their name and tax ID. If you are retiring, all of this may

depend on the annuity option you choose.

Also note that just because you have updated your information or your beneficiary with your employer, this does not change it at the ASRS. In fact, these are two different entities with two different systems and both should be notified.

To make sure all your own information is up to date with the ASRS, visit **AzASRS.gov** and click on the secure **MyASRS** login in the upper right. |



Yes, You Can Take It With You!

by Pamela Foust, Strategic Communications

Thinking about changing jobs?

Leaving your employer doesn't have to mean leaving your pension! The Arizona State Retirement System (ASRS) has approximately 700 employers representing all levels of education, counties and State service, all of whom offer the same pension plan.

This means, if you leave one ASRS employer to work for another ASRS employer, your years of service and accrual pick up exactly where they left off—you don't lose your current service credit or funds accrued to-date! Having such a pension allows

you to make career decisions that benefit you without worrying about how it will impact your future retirement.

For a list of ASRS employers, visit: AzASRS.gov/content/list-employers.

What about past service?

Have you previously worked in public service out of state, or serve in the military?

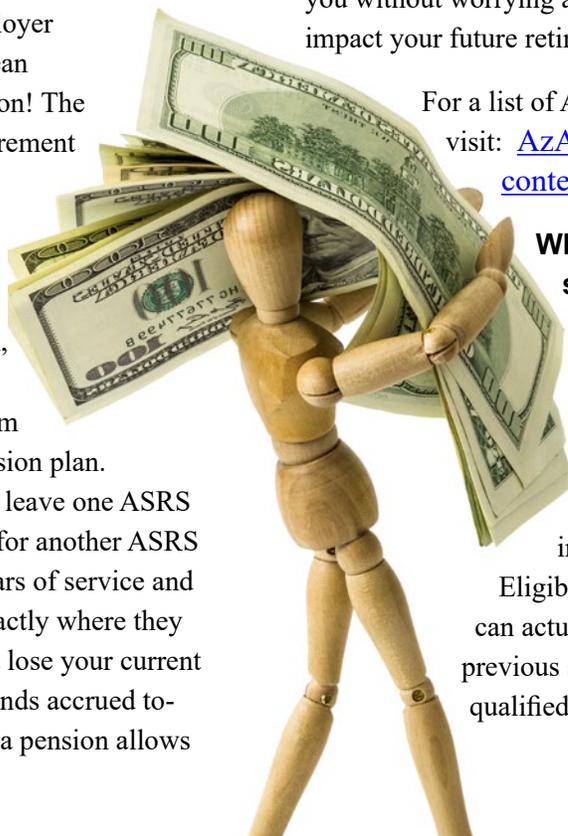
Eligible ASRS members can actually "buy back" previous service for qualified employment types

such as teaching positions in another state, federal government or military service, even previously forfeited public service. Purchasing prior service may increase your monthly retirement benefit and/or allow you to retire at an earlier date! Our online Service Purchase wizard makes the process easy.

Log into your myASRS account to get a cost estimate for purchasing your past service: AzASRS.gov/web/Login.do

To learn more about Service Purchase: AzASRS.gov/content/service-purchase

With ASRS pension portability, you CAN take it with you! |





Should I Refund My ASRS Account ?

by Nathaniel Brengle, Strategic Communications

Obviously this is a complex question. The short answer is that your financial situation is unique to you, and you should proceed however is best for your situation. But how do you know “what’s best for me?” Let’s look at some basic information that may help point you in the right direction.

First off, just because you leave your current employer doesn’t mean you need to refund your retirement account. You have options. Hundreds of employers are members of the Arizona State Retirement System, meaning it’s possible to get a job at a new employer and keep building your pension. And, contribution rates are set by the ASRS, not employers – no matter which employer you work for, if they’re part of the ASRS, the percentage withheld from your paycheck will remain consistent. (For more information on ASRS employers, see the article *Yes, You Can Take It With You!* on page 5)

And if you do end up at a new employer who isn’t part of the ASRS family? You still don’t need to refund your account. You certainly can, but it’s completely up to you. Generally this decision is based upon a combination of your age and years of service with the ASRS. For example, if you’re age 50 with at least 5 years of service, you may decide to take a reduced early retirement.

(To get a better picture of where you stand, you can log into your secure account by visiting AzASRS.gov and

clicking the “myASRS Login” button in the top right.) Alternatively, you may decide to leave your money with the ASRS.

What’s the benefit of leaving your money with the ASRS if you’re no longer able to contribute to it? For starters, you would still receive a monthly lifetime pension when you hit retirement age. Also, it would mean you would still be eligible for health insurance coverage through the ASRS when you retire, and perhaps a premium benefit that would help lower monthly health insurance costs.

What’s the benefit of leaving your money with the ASRS if you’re no longer able to contribute to it?

The most important thing is that, should you decide to request a refund of your account, you have a clear understanding of your options and any related implications. Some things to be aware of that may not be readily known by most:

- Taxes may need to be withheld from your refund, depending upon how

you decide to receive the money

- You may need to report your refund on your taxes as income and pay the required income taxes
- Should you rejoin or start contributing again to the ASRS after refunding, you’ll basically be setting your “retirement clock” back to zero. That also means not being grandfathered against changes that may have occurred since you initially joined.

For example, we sometimes see teachers requesting refunds at the end of each school year as a way to receive money for the summer. While this may make financial sense for some, others find themselves caught off guard when they believe they’ve reached retirement age yet don’t meet the eligibility criteria to retire.

So, if you’re asking yourself, “should I refund my account?” make sure to do your due diligence. Visit the “refund” page of AzASRS.gov for additional information, analyze your account in the secure **MyASRS** area, and if questions still remain, seek us out - our trained staff is here to help guide you into the best decision for you.



Member Education from the ASRS

Information for you, no matter how close or far you think retirement may be.



Early Career

Route 1: Your Journey Begins

Are you new to the ASRS? Watch this ten-minute video that explains what Member benefits the ASRS provides to you. Want to learn more? Check out the Member Education section on the website.

Be sure to **set up your myASRS secure account** today to access your account details and sign up for meetings in the future



Mid-Career

Route 2: Map Your Progress

Retirement may still be far off, but start planning now with our interactive **eLearning**. Use this tool to help you navigate toward your retirement path.

Route 3: Destination in Sight

When you are three years away from retirement, attend this meeting. You will learn how your benefits are calculated and how you can get ready for retirement.



Late Career

Know Your Insurance

If you are considering ASRS retiree group health insurance for when you retire, attend this meeting within a year of retirement to learn about ASRS health insurance enrollment and plan coverage details from our plan providers.

Route 4: Next Exit – Retirement

Six months from retirement you need to attend this meeting and get the details on the retirement application process and payment schedules.

Visit [AzASRS.gov/content/member-education](https://www.azasrs.gov/content/member-education) for more info

**Note: Route 3, Route 4, and Know Your Insurance meetings are available both in-person and via webinar. Log into your myASRS account to see upcoming meetings and register!*



Attending a group meeting or webinar allows you to:

- Ask questions
- Hear other questions that you didn't even think of
- Manage your retirement planning
- Understand how your retirement income is calculated
- Learn how to finalize the process

GPS - Guide to Pre-Retirement Services... dynamic interactive online application that will help you chart your future.



Arizona State Retirement System

Financial Horizons

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AzASRS.gov

For assistance with your personal account, log in for secure email access.

Not Online?

In Phoenix:
602-240-2000

In Tucson:
520-239-3100

Toll-Free:
800-621-3778



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AzASRS

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Comments?

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

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Member Statements on myASRS *Have you accessed your member statement online?*



Active and inactive members can view and print a copy of their Member Statement online at any time. This real-time statement includes beneficiary information, a summary of service credit, estimated monthly pension amounts, information on refund, survivor and disability benefits. The ASRS recommends members log into their myASRS account at least once a year to review their statement information and earliest estimated normal retirement date.