In this most challenging year, it is my sincere hope that this newsletter finds you and your family healthy and safe.

Here at the ASRS, we have remained steadfast to ensure your benefits and the services we provide are also safe, secure, and uninterrupted. To that end, we have been keenly focused on three key areas: continuity of our operations, the safety of our members and employees, and the integrity of our investments.

I am pleased to report that we are maintaining success in each of these areas. Since the pandemic began, we have maintained all core services: paying benefits on time, every time; timely processing of membership and retirement applications and all other processes; collecting and posting contributions from our employers; and maintaining or exceeding our service levels for answering telephone calls and electronic correspondence.

Early on, we moved quickly to ensure the safety of our members and employees. We have transitioned to a largely work-from-home model with our employees, including our call center representatives. While we remain open for all business activity, we have suspended in-person group meetings and one-on-one visits to our offices. To counter that, however, we have significantly enhanced our online educational programs with new webinars, videos on a variety of topics, and telephonic meetings for those without online access.

We have also moved to telephonic meetings for our Board of Trustee and Board Committee meetings, with public access via a dial-in format.

Our investment approach during the pandemic has remained steady and in line with our asset allocation model, with some adjustments to take advantage of certain markets and to provide for liquidity in such times. Our total fund is approximately $41.3 billion, providing ample liquidity to meet our monthly benefit payments and other obligations.

The rate of return for the fiscal year ended June 30, 2020, was 0.8%, certainly a marginal year for the overall markets, although we did slightly outperform investment benchmarks. Our 10-year average rate of return, a truer picture of the overall investment performance, is approximately 8.9%, a good bit above our assumed earnings rate of 7.5%

Other notable outcomes of our recently completed Comprehensive Annual Financial Report and actuarial valuations, presented to the Board of Trustees in November, include:

**Contribution Rates**

The current contribution rates effective through June 30, 2021, are as follows:

- Pension & Health Insurance Benefit: 12.04%;
- Long Term Disability: 0.18%;
- Total for Employee & Employer: 12.22%

*Director, continued page five*
These two pages contain data from our recently released Fiscal Year 2020 Popular Annual Financial Report (PAFR), which ended June 30, 2020. Each December, the ASRS puts together the PAFR as a condensed 12-page overview that highlights key takeaways from our larger full annual report, the Comprehensive Annual Financial Report (CAFR). Both the PAFR and CAFR can be found on the Annual Reports page of AzASRS.gov, found in the About Us tab.

One-Year Returns  
Total fund, interest rate sensitive, and total credit returns outperformed their respective benchmarks during the fiscal year 2020.

Portfolio Returns and Benchmarks
ASRS funds are well-diversified, professionally managed, and high-performing - outperforming the Total Fund time weighted benchmark during the fiscal year. The ASRS has also outperformed the 3 year, 5 year and 10 year time weighted return benchmarks.

1 YEAR
ASRS: 0.8%
Benchmark: 0.0%

3 YEAR
ASRS: 5.5%
Benchmark: 4.3%

5 YEAR
ASRS: 6.1%
Benchmark: 4.5%

10 YEAR
ASRS: 8.9%
Benchmark: 7.8%
Market Value of Investments by Fund

In addition to the retirement fund, the ASRS also has funds for the administration of the health benefit supplement (HBS), and long term disability (LTD) programs. Approximately 95% of the ASRS' investments are held by the retirement fund. Amounts exclude reinvested securities lending collateral.

Retirement Fund: 95.3% - $40,228,258,000
HBS: 4.3% - $1,805,940,000
LTD: 0.4% - $157,505,000

Market Value of Investments by Fund

Total Fund Market Value of Investments

This chart represents the market value of investments at fiscal year end over the last 10 years. Contributions, benefit payments and investment returns are significant drivers of changes in the market value of investments from year to year.

Total Fund Market Value of Investments:

(numbers represented in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$28.5</td>
</tr>
<tr>
<td>2012</td>
<td>$27.6</td>
</tr>
<tr>
<td>2013</td>
<td>$30.8</td>
</tr>
<tr>
<td>2014</td>
<td>$35.6</td>
</tr>
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<td>2015</td>
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<td>$37.8</td>
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<tr>
<td>2018</td>
<td>$40.0</td>
</tr>
<tr>
<td>2019</td>
<td>$41.7</td>
</tr>
<tr>
<td>2020</td>
<td>$42.2</td>
</tr>
</tbody>
</table>

Investment Asset Allocation

The ASRS has a highly diversified portfolio with investments in public and private markets and across market sectors. To the left are the ASRS' actual asset allocations as of June 30, 2020.

Investment Asset Allocation:

51.9% Total Equities
20.7% Credit
16.0% Real Estate
8.8% Interest Rate Sensitive Bonds
2.6% Cash and Short Term Investments
We get it. Retirement feels like a long way off and, with a pandemic that seems unending, you’ve got other things on your mind. But someday, in a not-too-distant future that will be here faster than you expect, your membership in the ASRS is going to become super important to you!

YOUR MONEY

Think of your ASRS plan as putting part of your long-term savings on autopilot. Every month you make contributions, your employer makes contributions, and when you’re finally ready to put your career behind you and start your next act – you’ll receive a monthly, lifetime guaranteed pension benefit.

Everyone’s benefit amount is different because the factors involved in calculating it differs for each person. How old you are when you retire, your years of service, and your average monthly salary all impact when and how much your future pension benefit will be – not the balance of your account or how the investment market is performing.

Wondering what your monthly benefit payment might be? It’s easy to find out! Navigate to AzASRS.gov and click on the Estimate Your Benefits icon in the middle of the page. The interactive benefit estimator allows you to key in your info (like salary and possible future retirement date) to estimate what kind of monthly pension amount you could receive.

YOUR BENEFITS

Besides long term savings in the form of your pension, you have other benefits with your ASRS membership, too!

Service Purchase. If you previously worked in public service other than for an ASRS employer, you might be eligible to “buy back” your service credit, which would apply towards increasing your future ASRS benefit. It would also add to your total years of service, bringing that future retirement date that much closer! Find out more on the ASRS website under the Members tab by clicking “Service Purchase.”

Long Term Disability (LTD). None of us expects to become disabled – temporarily or otherwise – but life happens. If something should happen to you, you’ll be relieved to know that LTD is a benefit for all active members of the ASRS. If approved, the ASRS will pay you a benefit equal to 66 2/3% of your salary minus any offsets.

LTD benefits continue to be paid until you return to work, are no longer disabled or retire. To learn more about your LTD benefit, click “LTD” under the Members tab on the ASRS website.

Retiree Health Insurance. One look at the headlines and you can see how important health insurance coverage is – and, once again, the ASRS will be there for you. When you finally decide to retire, you will be eligible to enroll in an ASRS-sponsored health insurance program, with options for both non-Medicare and Medicare-eligible retirees. You may be eligible for other plans from your employer, but for those that aren’t, the ASRS has options for you!

YOUR FUTURE

While none of us knows for sure what the future holds, it’s nice to know that you’ve got options thanks to your ASRS membership.

For additional information on any of these and other benefits, check out your retirement system at AzASRS.gov.

by Pamela Foust, Strategic Communications
New Futures by Nathaniel Brengle, Strategic Communications

Have you seen Futures, our new publication for members? Introduced in October, Futures is a new digital newsletter that will email out monthly. It’s designed specifically for ASRS members like you: those still working towards retirement, whether that be two years off or fifteen.

Retirement may seem a long way away, but, from our experience, it tends to sneak up on people. When you’re making decisions at the end of your career that will impact the monthly benefit you’ll be receiving for the rest of your life, you want to make sure those decisions are well-informed.

That’s why we’ve created Futures. Our goal is to inform you a tiny bit at a time throughout your career so that by the end of it, you’re comfortable making important decisions and are able to retire with confidence.

If you’ve yet to receive a Futures email, it may because we either don’t have an email address on file for you, or the email address we do have is outdated or incorrect. The easiest way to update your email address on file is to log into your secure myASRS account at AzASRS.gov, where you can then edit and update your contact information. Also, we recommend using a personal email address instead of a work email address, so if and when you ever leave or change jobs, your information on file will remain current.

Director's Message, Continued

Contribution rates beginning July 1, 2021 are as follows:

Pension & Health Insurance Benefit: 12.22%; Long Term Disability: 0.19%;
Total for Employee & Employer: 12.41%

Funded Status

The actuarial funded status of the total plan as of June 20, 2019 was 72.3%. The funded status as of fiscal year end June 30, 2020 was 72.8%, a slight increase. Funded status of the Health Insurance Benefit fund is 113.6%, among the highest of our peers, and our Long Term Disability plan stands at 73.1%.

Membership Statistics as of June 30, 2020

Total ASRS Membership: 619,397, up from 606,150 last year
Active Members: 214,810, up from 211,945
Inactive Members: 241,518, up from 233,309
Retired Members & Beneficiaries: 163,069, up from 159,569

I want to assure you that your ASRS benefits are safe and secure as we continue to focus on your benefit programs and hope this provides you a sense of security so that you may focus on things that are important to you and your family.

I encourage you to visit our website at AzASRS.gov, where you can see our annual reports, detailed investment information and more. I especially encourage you to log into your personal myASRS account, where you can see projections of your retirement benefit for whenever you choose to retire, whether it’s soon, or years away!

Thank you,
Paul Matson
ASRS Executive Director
Some 401(k), 403(b), or 457 deferred compensation plans allow for account holders to borrow against the balances, but terms differ from plan to plan, so be sure to check with your plan administrator.

Naturally, your next question is likely, “Well, when can I access my money?”

The two times you can request your funds are:

1) At retirement
You can receive a monthly annuity payment, or you may be eligible to retire with a one-time lump sum disbursement. The ASRS offers a variety of annuity options to meet our members’ varying needs. Learn more at the Retirement Annuity Options page of AzASRS.gov, under the Members tab.

2) When terminating ASRS employment
If you are no longer working for an ASRS employer, you can request a refund of your funds. Termination of employment and withdrawal of funds offers three distribution options: 100% direct payment to yourself; 100% rollover into another qualified retirement plan; or a combination of direct payment and rollover. Learn more on our Refunding/Forfeiture page in the Members tab of AzASRS.gov.

No matter your decision, always think carefully before borrowing against your future. Nearly half of those who have taken loans against their eligible retirement plans later indicated they regretted it, stating that their quick solution to an immediate financial challenge “undermined” their long-term savings goals. Don’t let short-sightedness hurt your long-term!

2021 ASRS Legislation by Jessica Thomas, Legislative and Rules Liaison

Did you know that the ASRS is a continually evolving entity? While we administer our benefits and programs per all applicable state and federal laws and administrative rules, we also typically have some small tweaks to our legislation each year.

For 2020, the ASRS legislative initiatives were not passed due to the current pandemic. In 2021, there are five items on the agenda: the ASRS will pursue the same initiatives as we did in 2020 with a few minor changes, plus one new initiative. See the "2021 Legislative Agenda" link on the Legislation page of AzASRS.gov for a quick synopsis of each 2021 agenda item.

During the upcoming 2021 legislative session, a link to a bill tracker will be available on the Legislation webpage of AzASRS.gov that will provide updates on the status and progress of each piece of ASRS legislation and any other legislation that may have an impact on the ASRS.

Feel free to contact the ASRS Legislative Liaison at legislativeliaison@azasrs.gov with any questions or comments.
Member Education from the ASRS

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

*Note: Out of safety for both our members and staff, all our member meetings are currently available virtually only, with no in-person meetings until further notice. Log into your myASRS account to see upcoming meetings and register!

EARLY CAREER

Route 1: Your Journey Begins
Are you new to the ASRS? Watch this ten minute eLearning that explains what member benefits the ASRS provides to you. Want to learn more? Check out the Member Education section on AzASRS.gov.

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 should attend this meeting and get the details on the retirement application process and payment schedules. Attendees all receive a customized benefit estimate.

Route 3 & 4 Available as Pre-Recorded Videos

Have you checked out our Member Videos page at AzASRS.gov lately? We were busy in 2020 producing more videos than ever to help answer common member questions and navigate retirement options. Earlier this year we added videos of our Route 3 and Route 4 webinars, which are traditionally two of our most popular meetings and webinars, so those thinking about retiring soon have access to these meetings whenever they’d like.

We also began our "Q & ASRS” video series this summer, in which Retirement Specialists in our call center answer some of the most frequently asked questions they get while assisting our members. We currently have videos for nine common questions we encounter, and are adding more all the time. Check them out on the Member Videos page of AzASRS.gov!

Visit AzASRS.gov/content/member-education for more info
Financial Horizons
An annual publication of the Arizona State Retirement System • January 2021

• Your Future, Your Money, and Your Benefits! Page 4
• Can I Borrow Against My Pension? Page 6
• And more!

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.

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

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