



Awards & Accolades

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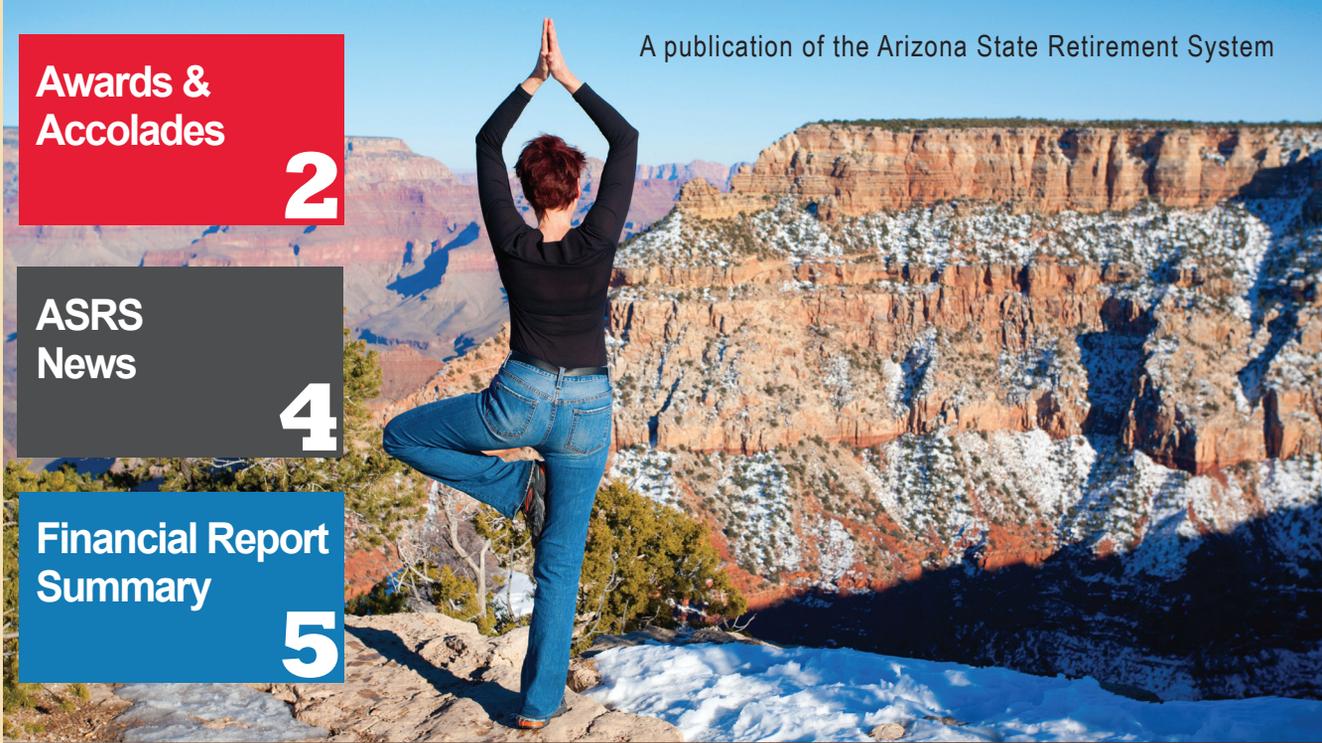
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FINANCIAL Horizons 2015



ASRS Director's Message *by Paul Matson*

Welcome to the 2015 edition of *Financial Horizons*.

This newsletter, filled with news and information for all our members, is published once a year and is our only mass mailing through the U.S. Postal Service to all members.

2014 Enhancements

Over the past several years, the ASRS has improved our communications to members through a variety of electronic means. In 2014, we had a complete makeover of our website, added electronic newsletters as well as personalized birthday greetings. While we no longer mail annual statements, we'd like to remind our members that their real-time information can be viewed online via their secure **myASRS** account. To ensure you receive all our timely communications, please log into

your **myASRS** account to verify your current preferred email address.

For now, we hope this publication catches you up on a few important items.

Annual Report Summary

Inside you'll find a brief summary of our 2014 annual report. I am pleased to report that the ASRS achieved a total fund net rate of return of 18.6 percent for the fiscal year ended June 30, 2014. In addition, the ASRS 1-, 3-, 5- and 10-year returns for the year ended June 30, 2014 are among the highest of large public pension plans across the nation. These strong returns have been achieved primarily through focused allocations to high performing equity markets and the conscious overweighting of various outperforming investment categories by our investment staff with strong oversight from our Board's Investment Committee.

NOTE: the above paragraph has been updated from the printed edition to provide better clarity.

For more information, see *Investments* at **AzASRS.gov**.

Also in fiscal year 2014, the ASRS paid in excess of \$2.7 billion in benefits to our retired members, beneficiaries and disabled members. The majority of ASRS members live in Arizona and studies have shown a significant economic impact on the state's economy due to benefits paid by public pension plans.

You can read more on Page 5, and I also encourage you to visit our website where you'll find the complete 2014 Comprehensive Annual Financial Report and a summary publication, the 2014 Popular Annual Financial Report. Look under the **About Us** section on our website.

We look forward to serving your membership needs in 2015. |



Awards Season Comes to the ASRS *And the award goes to...*

We are very proud to announce the Arizona State Retirement System has been honored with several awards for improvements & our on-going commitment to excellence.



Quality Process Improvement

The Southwest Alliance for Excellence awarded recognition to the Arizona State Retirement System for two online projects designed to assist members.

The ASRS was one of five organizations honored through the Southwest Alliance for Excellence (SWAE) 2014 Performance Excellence Program.

The Southwest Alliance for Excellence, formerly the Arizona Quality Alliance, recognizes organizations for excellence in quality, performance and outcomes through a program modeled after the Malcolm Baldrige Award. The SWAE multi-tiered process “assists organizations in Arizona, Nevada and Utah along their path to achieving performance excellence, which means being role models in customer and employee satisfaction, sound management, innovation and re-

sults,” according to SWAE.

The ASRS received Showcase in Excellence Awards for two major projects:

- **Online Member Statements.** This project involved discontinuing the mailing of more than 400,000 individual member statements in favor of greatly enhanced online statements. Now, members have real-time data related to their ASRS account and retirement benefits. Moving to online statements and annual birthday email cards to members encouraging them to check their statement online has produced more than \$200,000 in annual savings while maintaining overall member satisfaction.
- **Online Refund Process.** This project involved creating an online application for members to use to apply for a refund of their contributions. The user-friendly application takes members step-by-step through the refund application, replacing a previous paper version that was sometimes difficult to navigate and prone to errors. The online application is faster, more accurate and requires substantially less staff processing and has proven popular with members.

“We are honored to have received two Showcase in Excellence Awards from the Southwest Alliance for Excellence,” ASRS Director Paul Matson said. “The criteria outlined in the SWAE application process confirmed that the Arizona State Retirement System’s commitment to continuous improvement is aligned with best practices as demonstrated through the implementation of our new processes.

Such recognition is a testament to the dedication and professionalism of our staff and the support we receive from our Board of Trustees.”

The Southwest Alliance for Excellence is a 501(c)(3) non-profit corporation that advances improvement and excellence in organizations, communities and indi-



viduals throughout Arizona, Nevada and Utah. Learn more at SWAE.org.

PPCC Professional Standards

For the 10th consecutive year, the ASRS has been awarded the Pension Standards Award for 2014 from the Public Pension Coordinating Council. The award recognizes the ASRS for “meeting professional standards for plan funding and administration.”

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

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

*Awards & Accolades,
continued page six*

ASRS Board of Trustees

The Arizona State Retirement System is governed by a nine-member Board of Trustees, appointed by the Governor and confirmed by the state Senate.

The Board acts as fiduciary of the ASRS trust fund with powers and duties outlined in state statute.

The Board generally meets on the last Friday of the month in a public meeting at the ASRS Phoenix office. Issues discussed by the Board include legislative updates, investment presentations and approval of various policies, procedures and reports. There is time in each meeting for calls to the public during which

anyone may address the Board.

In addition to the Board of Trustees, there are three committees: the Investment Committee, External Affairs Committee and Operations and Audit Committee. Each meets separately and reports to the full Board.

Meeting schedules, agendas and minutes of past meetings are updated on the ASRS website. There is also a page listing current Trustees with short biographies.

More information: **Board of Trustees** at **AzASRS.gov**. |

ASRS Ranks Favorably Among Nationwide Peers



A recent benchmarking study shows the ASRS provides a higher level of service to its members at a lower cost compared with its peers.

Since 2001, the ASRS has participated in a study conducted by the firm CEM Benchmarking Inc., which analyzes a variety of pension benefit administration data from like-sized public pension plans. The study showed that, despite having a higher transaction volume (workload) than our peer group, the average cost per member is \$81, which is \$13 less than the average of 15 public retirement systems of similar size. Our total pension administration cost has remained relatively stable over the past four years.

One particularly positive note is the ASRS' service measure, which takes into consideration such things as turnaround time for member requests, availability and choice of services, and member satisfaction. The ASRS scored 85 out of 100 on this measure, which is above our peer group's median score of 77.

The ASRS aims to be a leading benefit administrator, providing high levels of service in a cost effective manner. This study tells us we're doing more with less and we are very proud of that.

Our move toward streamlining operations and focusing on member services has been a priority over the past decade, and will continue to be so in the future.

I invite you to learn more about our operations by visiting our website.

More information: **Strategic Plan** in the **About Us** section at **AzASRS.gov**. |

Going Green to Serve Our Members



The Arizona State Retirement System has been undergoing an extensive review of its communications and processes with

a goal of moving toward electronic and automated practices.

In addition to benefiting our environment – eliminating paper processes, printing and mailings – we have been able to increase timeliness and accuracy of our member experiences. And, it's yielding significant savings, which benefits our trust fund, and that's good for all of us.

Here are some of the major initiatives:

- Online Member Enrollment
- Online Refund Application
- Online Retirement Application
- Digital member newsletters

- Real-time Member Statements in members' secure **myASRS** account
- Retiree Monthly Direct Deposit Statements available in their secure **myASRS** account
- Online self-service updating capabilities for address, phone, email, beneficiaries, direct deposit and tax withholding changes

These efforts have saved hundreds of thousands of dollars over the past few years. Those funds remain in the ASRS trust and are invested.

This newsletter is our only direct mailing to all members, and only happens once a year. To keep up with all the latest news and updates, be sure to register for your own **myASRS** account. For more information on secure ASRS online accounts, see page eight. |



Legislation, Statutes and Rules

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

- Follow the Legislative sessions on ASRS' *Bill Tracker*.

- Link to *Arizona Revised Statutes*.
- Check ASRS administrative *Rules*.

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

Changes to Service Purchase Program

Due to a recent court case, the Arizona State Retirement System will now allow members with a membership date **prior to July 20, 2011** to purchase any and all eligible Other Public Service, Military Service and Leave of Absence Service.

The ASRS Service Purchase program allows actively contributing members and members receiving long-term disability to purchase past service time under specific qualified categories.

This change is the result of an Arizona Court of Appeals ruling in May 2014 that concluded the statutory limitation of five years of time for purchase of Other Public Service, Military Service and Leave of Absence Service for members with a membership date prior to July 20, 2011 was unconstitutional. In January 2015 the Arizona Supreme Court declined to grant review of the Appeals Court opinion. As a result, members who have a member-

Service Purchase, continued page six

2015-16 Contribution Rates

Contribution Rates to Decrease Slightly in Fiscal 2015

The ASRS Board of Trustees approved new contribution rates for the Defined Benefit Plan for fiscal year 2015-16, effective July 1, 2015. For the first time in six years, the total contribution rate paid by ASRS members and employers will decrease, albeit nominally.

The decrease in contribution rates is due primarily to strong investment market performance last year, when the ASRS experienced a net return of 18.6 percent on its total fund of more than \$34 billion.

More information: *Contribution Rates* at **AzASRS.gov**. |

Same Sex Marriage Recognition

Since October 17, 2014, Arizona has legally recognized same sex marriage. As a result, the ASRS has updated its policies to reflect this change, with the same application of retirement policies and procedures for married individuals regardless of sex or gender. A valid marriage certificate is the required document for determining if a person is a spouse.

ASRS members have always been free to name anyone as their beneficiary, but naming a spouse and NOT naming a spouse as a beneficiary carries some unique aspects related to ASRS benefits.

Legislation passed in 2012 requires married ASRS members to name their spouse as a primary beneficiary with at least 50% of the retirement benefit. The law provides for a waiver of this requirement if the ASRS receives a notarized signature from the spouse waiving rights to a portion of the ASRS benefit. The spousal consent form is available on our website.

If a non-retired member does not have a named beneficiary on file with the ASRS, and passes away, the ASRS pays out any survivor benefits according to statute, which lists the member's surviving spouse as the first person to receive any survivor benefit.

A spouse is also entitled to participate in a retired member's ASRS-sponsored health insurance plan, should the member choose to add them to their plan.

Prior to state recognition of same-sex marriage, the ASRS offered the option of domestic partner health insurance coverage. **The ASRS no longer offers this option.**

Same Sex Marriage, cont. page six

	Retirement Pension & Health Insurance Benefit	LTD Income Plan	TOTAL
FISCAL 2014-15 (Effective July 1, 2014)			
Employee	11.48%	0.12%	11.60%
Employer	11.48%	0.12%	11.60%
FISCAL 2015-16 (Effective July 1, 2015)			
Employee	11.35%	0.12%	11.47%
Employer	11.35%	0.12%	11.47%

Looking for current or past Annual Reports?

Find the Comprehensive Annual Financial Report or the reader-friendly Popular Annual Financial Report online. Look for *Annual Reports* on AzASRS.gov.



2014 Comprehensive Annual Financial Report

The ASRS administers retirement, health and long term disability benefits for teachers, state, county and other public municipal employees. ASRS benefits are funded by member and employer contributions and by earnings on investments. The ASRS manages three funds, Retirement, Health Benefit Supplement (HBS) and Long Term Disability (LTD), to which the contributions are distributed according to actuarially determined contribution rates.

The ASRS total fiduciary net position held in trust for benefits at June 30, 2014 was \$35.6 billion, a 16.0% increase from \$30.6 billion at June 30, 2013. The retirement fund's fiduciary net position was \$33.7 billion compared to \$29.0 billion last year, a 16.1% increase. The HBS fund net position was \$1.6 billion at year

end compared to the same \$1.3 billion at FY 2013, a 16.5% increase. The LTD fund fiduciary net position was \$286 million at year end compared to \$263 million last year, an 8.7% increase. The increase in the ASRS total fiduciary net position as well as individual funds is primarily due to investment returns of 18.6% for FY 2014.

For the 2014 fiscal year, contributions totaled \$2.1 billion, compared to the 2013 fiscal year contributions of \$2.0 billion. The increase is due to a 0.4% increase in contribution rates for retirement and HBS from 10.9% in FY 2013 to 11.3% in FY 2014. LTD contribution rates remained the same. For employers, alternate contribution rates increased from 8.64% in 2013 to 9.20% in 2014.

Deductions from the ASRS net position held in trust for benefits consist primarily of pension, disability, health insurance, survivor benefits, member refunds and administrative expenses. For FY 2014, pension, disability, health insurance and survivor benefits totaled \$2.7 billion, an increase of 4.8% over \$2.6 billion paid in FY 2013. The increase is explained by an increase in total retirees from 122,257 in FY 2013, to 127,881 in FY 2014. Refunds and transfers to other plans totaled \$247 million in FY 2014, a 12.7% increase from the \$219 million paid out in FY 2013. In FY 2014, the cost of administering ASRS benefits totaled \$31 million, a decrease of 24.4% from \$41 million paid in FY 2013. Investment expenses totaling \$8.2 million are reported under investing activity expense. |

Funded Status

Total Fund (Market Value)
\$35.6 billion

Total Plan Funded Status
(actuarial value as of June 30, 2014)
76.9%

Rates of Return

Total Fund Net Rate of Return
(fiscal year end June 30, 2014)
18.6%

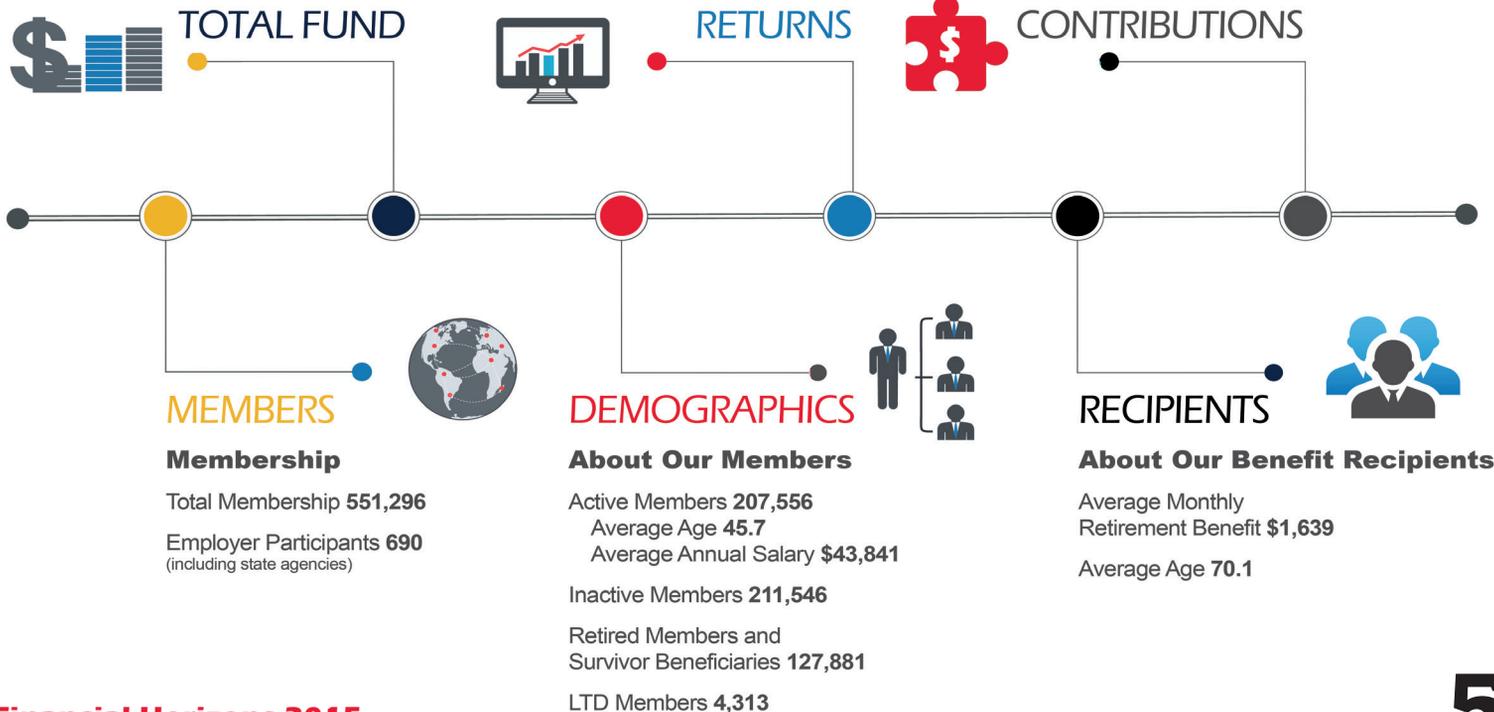
10-Year Rate of Return **7.5%**

Rate of Return
Since Inception **10.1%**

Contribution Rates

FY 2014-15 Contribution Rate
(effective from July 1, 2014)
11.60%

FY 2015-16 Contribution Rate
(effective from July 1, 2015)
11.47%



Help Us Protect Your Account



We have long encouraged ASRS members to register for secure **myASRS** access and are pleased that more than half our members have done so.

It's helpful to have easy access to your account information. Within your secure account you can view your account statement, run personalized benefit estimates, update personal information, view and update beneficiary information, register for member meetings and more. You can also verify we have your preferred email address on file, ensuring you'll receive our digital news and updates.

Did you know that you automatically receive an email notice from the ASRS whenever a change is made to your secure account? This is an important security function that can notify you to safeguard your account and ensure you're the only person making changes to your account. Be sure to log in

periodically and ensure we have your correct address, phone and email.

If you haven't created your account, we've made the process safe, simple and secure. To get started, click the **myASRS** icon on the the ASRS website – **AzASRS.gov**.

For more helpful information: *Why You Should Register for Secure Access* at **AzASRS.gov**. |

Awards & Accolades

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GFOA Financial Reporting

For the 25th consecutive year, the ASRS was awarded the Certificate of Achievement for Excellence in Financial Reporting for its 2013 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 2013 Popular Annual Financial Report, a reader-friendly summary of the full report.

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

Service Purchase

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ship date prior to July 20, 2011 now have no limit in purchasing Other Public Service, Military Service and Leave of Absence Service.

Members with a membership date of **July 20, 2011 or after** are limited by state statute to five years for each of those categories, as the court ruling only applies to members with an earlier membership date.

All active and LTD ASRS members may purchase any and all eligible service credit for previously Forfeited Service and Military Call-up Service.

More information: *Service Purchase* at **AzASRS.gov**. |

Same Sex Marriage

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Also of note to married members: Upon divorce, a spouse is automatically nullified as a beneficiary. If members wish their ex-spouse to remain a beneficiary, they must complete a new beneficiary form, available on the ASRS website.

The ASRS will also honor any Qualified Domestic Relations Order (QDRO) from the courts that comply with ASRS statutes and rules upon divorce. This is a legal document that specifies how any benefit payments are distributed.

More information: *Choosing Beneficiaries* at **AzASRS.gov**. |

Attended a Class and Still Have Questions?

If your situation is a bit more complicated and requires additional assistance, we're here to help you. Call to schedule an appointment with a Benefit Advisor. (See page 8 for contact info).



Thinking About Retirement? GPS can you help navigate your future.

The interactive GPS online app combines all the information you need to navigate the road to retirement, into one convenient, fun-to-use program. You choose your route and our virtual guides will help you along the way with audio, video & printable resources.

Visit AzASRS.gov to start navigating your future now!

The Road to Retirement Takes Planning

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



Route 1: Your Journey Begins *Webcast*

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



Route 2: Map Your Progress *E-Learning*

Mid-career (over five years of service with more than five years left until you retire)? Regardless of what stage of the journey you're at on the road to retirement, it's okay to ask questions! And we've got answers!



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

Are you within 3 years of retirement? Wondering what's next? Before you reach that horizon, let us help you make sure you're ready for the next phase of your journey!



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

Retiring within the next four months? Let us help ensure you've got everything in order before that exit!

Before you reach that destination, you may also want to check out the "Know Your Insurance" group meeting for more detailed information about ASRS retiree group health insurance options.



Know Your Insurance *Group Meeting*

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



Remote Online Counseling *Online*

The ASRS provides one-on-one counseling via the internet for members who live outside Maricopa and Pima counties. Schedule your session on **myASRS** as you would any Member Education program. To participate, you'll need a high-speed internet connection, microphone & speakers.



How To Register: *Log into myASRS today!*

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



On-Demand Webcasts *E-Learning*

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



Arizona State Retirement System

Financial Horizons

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Toll-Free:
800-621-3778



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Member Statements on myASRS

Have you accessed your member statement online yet?

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

The ASRS no longer prints and mails these statements to members so it's a good idea to log in at least once a year to review your statement information.



Want to get social?

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

Comments?

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

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