



ARIZONA STATE  
**RETIREMENT SYSTEM**

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# Popular Annual Financial Report

# 2025

A component unit of the State of Arizona for fiscal year ended June 30, 2025



Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

**Arizona State Retirement System**

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2024

The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for “Outstanding Achievement in Popular Annual Financial Reporting” to Arizona State Retirement System for its Popular Annual Financial Report publication for the fiscal year ended June 30, 2024. This Award is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

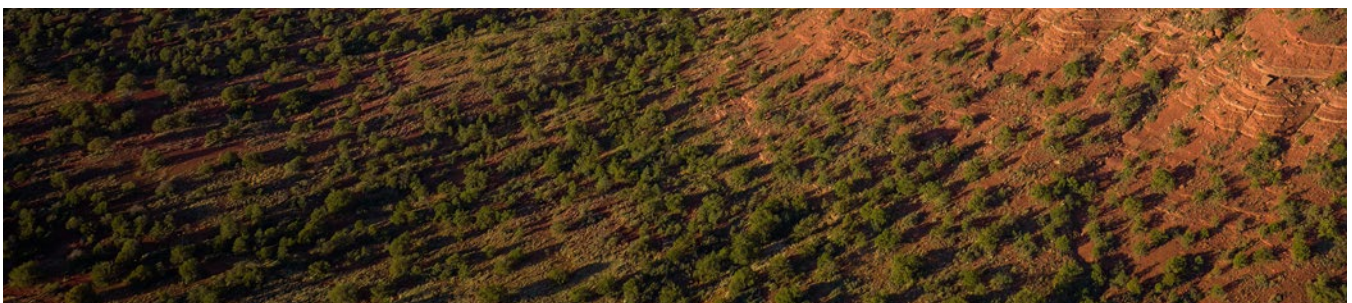
In order to receive this award, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An award for “Outstanding Achievement in Popular Annual Financial Reporting” is valid for a period of one year. Arizona State Retirement System has received this award for 13 consecutive years. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

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# A MESSAGE FROM THE DIRECTOR

## A Stable and Sustainable 2025



I am pleased to present the 2025 Popular Annual Financial Report (PAFR) for the Arizona State Retirement System (ASRS) for the fiscal year ended June 30, 2025.

The information presented here is a reader friendly summary of financial data derived from the Annual Comprehensive Financial Report (ACFR), prepared on the accrual basis of

accounting and presented in conformity with Generally Accepted Accounting Principles (GAAP). The PAFR is not intended to supplement the ACFR and does not include all information and disclosures required by GAAP; rather, it is a concise summary of the financial health of the ASRS for fiscal year 2025.

The ASRS Executive Management is responsible for ensuring timely and accurate financial reporting, as well as maintaining the financial sustainability and health of the funds that support retirement benefits, long term disability and health benefit supplement programs for our members. I am pleased to report that the ASRS continues to ensure the financial stability and health of the funds, and to issue timely and accurate financial reporting, as demonstrated by the continued receipt of the awards for excellence in financial reporting for 36 consecutive years.

Detailed information regarding the activities and financial health of the ASRS can be found in our June 30, 2025 ACFR, available at [AzASRS.gov/content/annual-reports](https://www.azasrs.gov/content/annual-reports).

### OVERVIEW

The ASRS is a cost-sharing, multiple-employer, defined benefit pension plan that provides benefits to nearly 675,000 current and former public employees. At June 30, 2025, there were 563 employer units participating in the ASRS, including school districts, charter schools, state colleges and universities, and local, county and state government agencies.

In addition to pension benefits, the ASRS provides a health insurance premium benefit supplement to retirees (Health Benefit Supplement, HBS), and a long term disability benefit (LTD). The ASRS also sponsors medical and dental coverage for retired and disabled members and their eligible

dependents. At the end of fiscal year 2025, more than 185,000 retirees, their beneficiaries, and 2,200 disabled members received approximately \$4.1 billion in benefits.

### HIGHLIGHTS

The ASRS achieved a one-year total fund rate of return of 9.9% during fiscal year 2025. The annualized rates of return for the three, five, ten, and twenty year periods are 9.0%, 10.4%, 8.2%, and 7.6% respectively. Our current investment return assumption is 7.0%. This year's higher investment returns were primarily driven by the U.S. and International equity markets.

These investment returns are estimated to place the ASRS in the top 7% of our peers for the 10 year period, and the top 4% for the 20 year period, ending June 30, 2025. As a result, over the past 10 years it is estimated that the ASRS fund has grown to be approximately \$3.4 billion larger than it would be if it had achieved median returns. In addition, the ASRS was named one of the "Top Places to Work" by the Best Companies Group.

In the most recent analysis conducted by a third-party international pension benchmarking firm, the ASRS was shown to have the highest level of customer service among both its peer group of 15 pension funds, and also in the international universe of pension funds. This top ranking was accomplished with an administrative cost structure that was the second lowest in the peer group, with an ASRS cost per member of \$75, compared to the average cost of our peers of \$124. According to the same analysis conducted by the benchmarking firm, even with the rising cost environment, the ASRS administration cost per member between 2017 and 2024 decreased by 0.7% per year, while the peer and universe averages both increased.

Contribution rates, paid equally by employees and employers, are not expected to change much over the next several years. At fiscal-year end 2024, the ASRS total funded status is 74.0%, a slight increase over the 2023 rate of 73.1%. There are also deferred (unrecognized) investment gains of approximately \$2.3 billion.

ASRS programs and benefits continue to be stable and sustainable, and members and retirees can have confidence in the system that will deliver a safe, secure retirement income stream now and into the future.

**Paul Matson,**  
**Executive Director**

# FUNDED STATUS

## Defined Benefit Program Funding Ratio

The funding ratio is the ratio of the actuarial value of assets<sup>†</sup> available to pay retirement benefits divided by the present value of anticipated future retirement benefit payments. The actuarial value of assets is determined by a smoothing formula to eliminate short-term market fluctuations and will differ from the market value of investments. Changes in the actuarial assumptions caused a decrease in the 2017 pension funding ratio. Changes included a reduction in the Investment Return Assumption, which decreased from 7.5% to 7.0%, increased life expectancies, the inclusion of Permanent Benefit Increase (PBI) assumptions, and a switch to the Entry Age Normal actuarial cost method.

|  | 2015  | 2016  | 2017  | 2018  | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
|--|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|
| <b>Retirement</b>                      | 77.1% | 77.0% | 69.7% | 70.4% | 71.3%  | 71.7%  | 70.1%  | 71.3%  | 71.8%  | 72.6%  |
| <b>Health Benefit Supplement (HBS)</b> | 90.1% | 95.0% | 98.0% | 98.7% | 108.0% | 113.6% | 133.1% | 130.8% | 132.2% | 135.8% |
| <b>Long Term Disability (LTD)</b>      | 79.1% | 70.1% | 80.4% | 75.8% | 74.8%  | 73.1%  | 87.6%  | 91.5%  | 94.0%  | 98.5%  |

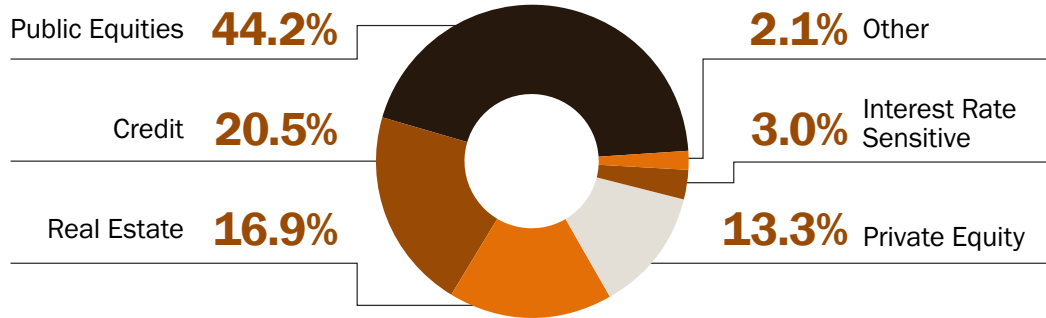
## Net Pension and OPEB<sup>†</sup> Liability of Employers (in thousands)

The Net Pension and Other Post-Employment Benefits (OPEB) liability (asset) of employers is determined using actuarial methods required by the Governmental Accounting Standards Board (GASB<sup>†</sup>) and allows for more comparability of data across government pension plans. The net pension and OPEB liability (asset) of employers represents the present value of the total pension and OPEB liability, less the fiduciary net position of the plan. The value of investment assets for accounting purposes differ from those the ASRS uses for funding purposes. Accordingly, the resulting funding ratio determined under the ASRS accounting methodology is different from the ratio determined by the actuarial funding methodology.

| <b>Year ended June 30, 2025</b>   |                   |                        |                        |
|---|-------------------|------------------------|------------------------|
|   | <b>Retirement</b> | <b>HBS<sup>†</sup></b> | <b>LTD<sup>†</sup></b> |
| <b>Total Pension and OPEB Liability</b>   | \$73,173,166      | \$1,623,591            | \$206,412              |
| <b>Plan Fiduciary Net Position</b>  | \$57,647,665      | \$2,339,872            | \$228,078              |
| <b>Net Pension and OPEB Liability of Employers</b>  | \$15,525,501      | (\$716,281)            | (\$21,666)             |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension and OPEB Liability</b>            | 78.8%             | 144.1%                 | 110.5%                 |
| <b>Covered-Employee Payroll</b>   | \$13,998,962      | \$13,988,962           | \$13,988,962           |
| <b>Net Pension &amp; OPEB Liability of Employers as a Percentage of Covered- Employee Payroll</b> | 111.0%            | -5.1%                  | -0.2%                  |

# INVESTMENTS SUMMARY

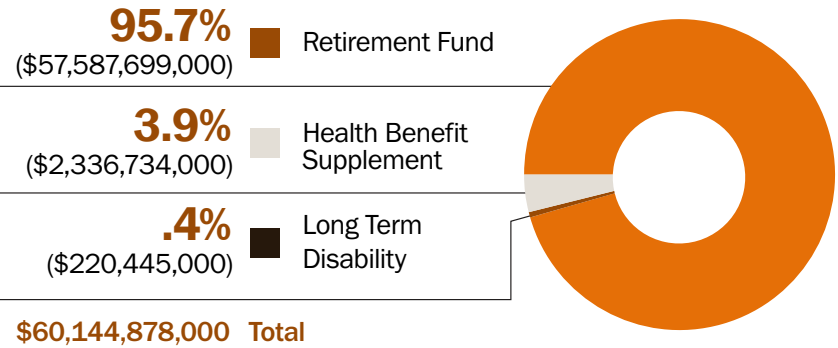
## Investment Asset Allocation



The ASRS has a diversified portfolio with investment assets in public and private markets and across market sectors. To the left are the actual asset allocations of the ASRS as of June 30, 2025.

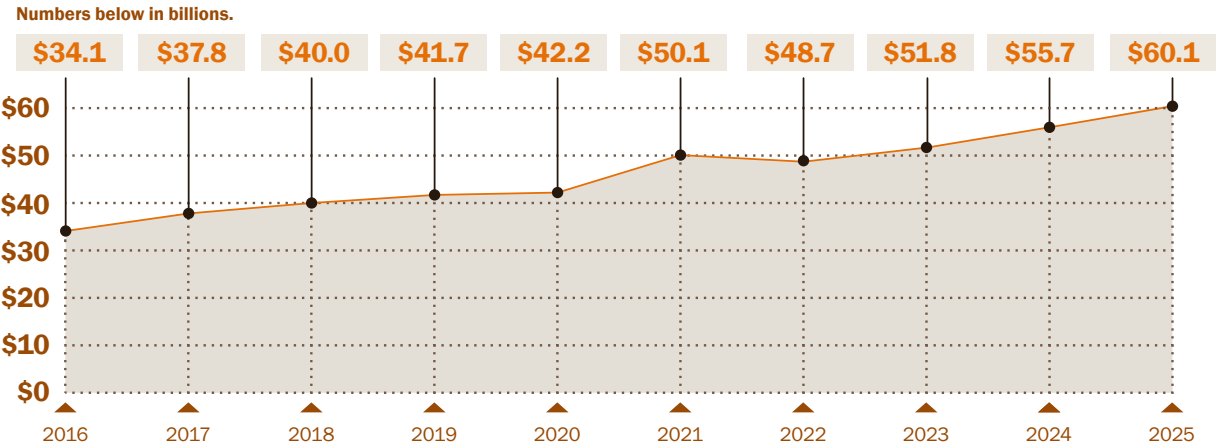
## Market Value of Investment Assets by Fund

In addition to the Retirement Fund, the ASRS also has funds for the administration and benefit payments of the Health Benefit Supplement (HBS), and Long Term Disability (LTD) programs. Approximately 96% of the ASRS's investment assets are held by the Retirement Fund as of June 30, 2025. Amounts exclude reinvested securities lending collateral.



## Total Fund<sup>F</sup> Market Value of Investment Assets

The values below represent the market value of investment assets 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 investment assets from year to year.

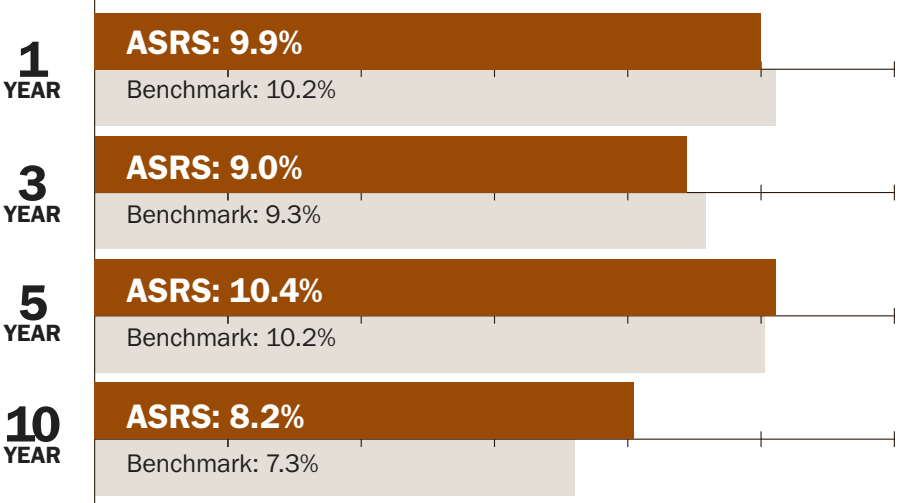


# INVESTMENTS SUMMARY

## Portfolio Returns and Benchmarks<sup>†</sup>

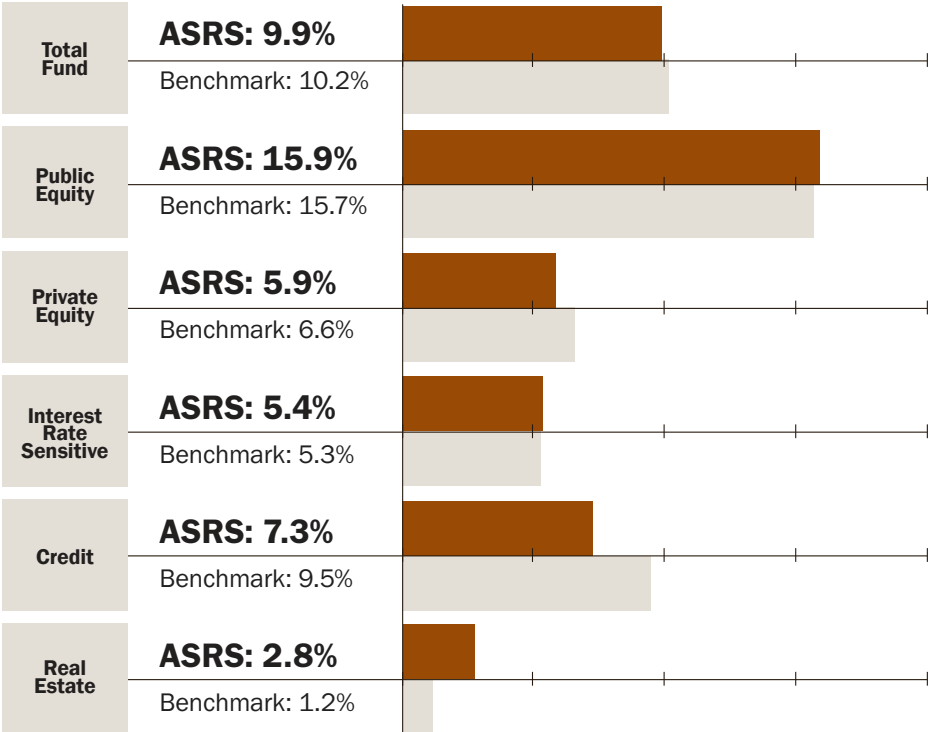
ASRS funds are well-diversified, professionally managed, and high-performing. These funds have outperformed the 5-year and 10-year time weighted return <sup>†</sup> benchmarks.

These data are as of June 30, 2025.



## One-Year Returns

Refer to graphs at the right for one-year returns by major asset class.



Note: Terminology Marked with this symbol: <sup>†</sup> is defined in the glossary | 5

# FINANCIAL SUMMARY

The tables below present summarized information and includes the Retirement Fund, Health Benefit Supplement Fund, and Long Term Disability Fund. Please refer to the ASRS June 30, 2025, Annual Comprehensive Financial Report (ACFR)<sup>†</sup> for more detailed information.

## Combined Fiduciary Net Position (in thousands)

This statement presents the assets and liabilities that comprise the ASRS's net position as of June 30, 2025, and 2024.

| Assets                                | 2025                | 2024                | Change             | Change %    |
|---------------------------------------|---------------------|---------------------|--------------------|-------------|
| Cash, Receivables, & Prepaid Benefits | \$222,732           | \$316,603           | (\$93,871)         | (29.6%)     |
| Investments                           | \$60,144,878        | \$55,683,499        | \$4,461,379        | 8.0%        |
| Securities Lending                    | \$66,847            | \$120,696           | (\$53,849)         | (44.6%)     |
| <b>Total Assets</b>                   | <b>\$60,434,457</b> | <b>\$56,120,798</b> | <b>\$4,313,659</b> | <b>7.7%</b> |

| Liabilities  | 2025                | 2024                | Change             | Change %       |
|--|---------------------|---------------------|--------------------|----------------|
| Payables & Other Liabilities   | \$143,711           | \$207,100           | (\$63,389)         | (30.6%)        |
| Securities Lending   | \$66,847            | \$120,696           | (\$53,849)         | (44.6%)        |
| <b>Total Liabilities</b>   | <b>\$210,558</b>    | <b>\$327,796</b>    | <b>(\$117,238)</b> | <b>(35.8%)</b> |
| <b>Net Position Restricted For Pension/OPEB Benefits<sup>†</sup></b> | <b>\$60,223,899</b> | <b>\$55,793,002</b> | <b>\$4,430,897</b> | <b>7.9%</b>    |

# FINANCIAL SUMMARY

## Combined Changes in Fiduciary Net Position (in thousands)

This statement presents the assets and liabilities that comprise the ASRS's net position as of June 30, 2025, and 2024.

| Additions                               | 2025               | 2024               | Change           | Change %     |
|---|--------------------|--------------------|------------------|--------------|
| Member Contributions                    | \$1,716,250        | \$1,676,832        | \$39,418         | 2.4%         |
| Employer Contributions                  | \$1,762,872        | \$1,720,111        | \$42,761         | 2.5%         |
| Other Income                            | \$56               | \$34               | \$22             | 64.7%        |
| Service Credit Purchase & Transfers In  | \$15,459           | \$15,642           | (\$183)          | (1.2%)       |
| Investment Activity & Lending Income    | \$5,705,557        | \$4,854,747        | \$850,810        | 17.5%        |
| Investment and Security Lending Expense | (\$264,925)        | (\$272,261)        | \$7,336          | (2.7%)       |
| <b>Total Additions</b>                  | <b>\$8,935,269</b> | <b>\$7,995,105</b> | <b>\$940,164</b> | <b>11.8%</b> |

| Deductions                         | 2025               | 2024               | Change           | Change %    |
|------------------------------------|--------------------|--------------------|------------------|-------------|
| Retirement and Disability Benefits | \$4,050,992        | \$3,890,356        | \$160,636        | 4.1%        |
| Survivor Benefits                  | \$77,852           | \$67,167           | \$10,685         | 15.9%       |
| Refunds & Transfers                | \$337,339          | \$300,500          | \$36,839         | 12.3%       |
| Administration & Other             | \$38,189           | \$39,062           | (\$873)          | (2.2%)      |
| <b>Total Deductions</b>            | <b>\$4,504,372</b> | <b>\$4,297,085</b> | <b>\$207,287</b> | <b>4.8%</b> |
| Net Change                         | \$4,430,897        | \$3,698,020        | \$ 732,877       | 19.8%       |

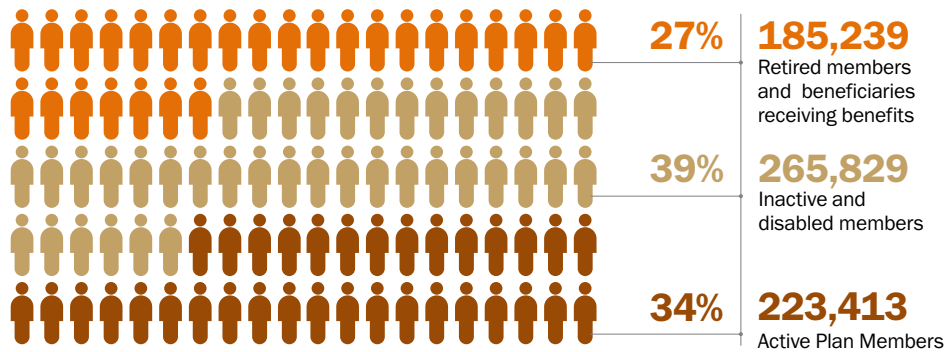
| Fiduciary Net Position Restricted For Pension/OPEB Benefits |              |              |             |      |
|---|--------------|--------------|-------------|------|
| Net Position Beginning of Year                              | \$55,793,002 | \$52,094,982 | \$3,698,020 | 7.1% |
| Net Position End of Year                                    | \$60,223,899 | \$55,793,002 | \$4,430,897 | 7.9% |

# MEMBER DATA

Membership in the ASRS is comprised of employees of the State of Arizona and other participating employers, including public and charter schools, institutions of higher education, cities, counties, and special districts. Members include all participants who have contributions on account with ASRS.

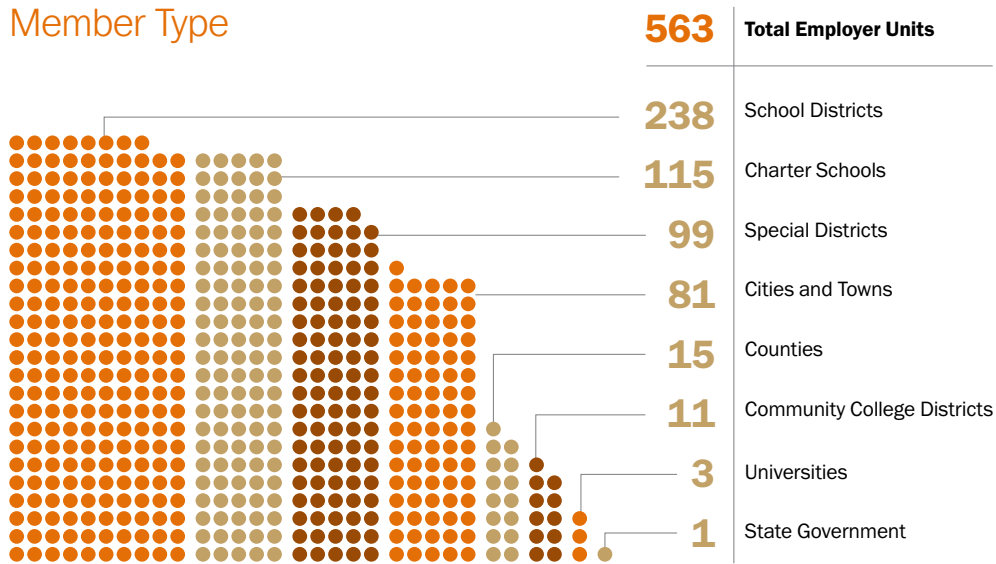
## Member Composition by Status

### Member Status



## Active Members by Employer Type

### Member Type



## Member Averages

| Active Members 2024  | Active Plan Members  | Avg Years of Service | Avg Annual Salary   | Average Age |
|----------------------|----------------------|----------------------|---------------------|-------------|
|                      | <b>220,738</b>       | <b>9.1</b>           | <b>\$63,713</b>     | <b>45.6</b> |
| Retired Members 2024 | Retired Plan Members | Avg Years of Service | Avg Monthly Annuity | Average Age |
|                      | <b>172,712</b>       | <b>19.3</b>          | <b>\$1,797</b>      | <b>72.8</b> |

The above tables summarize member averages determined from the ASRS's June 30, 2024, actuarial valuation.

# GLOSSARY

**Actuarial Value of Assets:**

The value of the fund's assets as of a given date, used by the actuary for valuation purposes. The ASRS uses a smoothed value in order to reduce year-to-year volatility when determining contribution rates.

**Average Monthly Annuity:**

The average monthly payment to ASRS retirees.

**Benchmarks:** Benchmarks are standards against which investment performance is measured. Benchmarks vary by asset class. See the current Annual Comprehensive Financial Report for more information on benchmarks.

**Annual Comprehensive Financial Report (ACFR):**

This detailed financial report can be found at our website here:

[AzASRS.gov/content/annual-reports](https://www.azasrs.gov/content/annual-reports)

**Government Accounting Standards Board (GASB):** The source of Generally Accepted Accounting Principles used by state and local governments.

**HBS:** Health Benefit Supplement.

**Inactive Member:** A member who still has contributions on account with the ASRS, but is no longer accruing service with an ASRS employer.

**LTD:** Long Term Disability.

**Net Position Restricted for Pension/OPEB Benefits:** The residual assets available to pay benefits after deducting liabilities from assets.

**Other Post Employment Benefits (OPEB):** Benefits, paid after working, other than pension benefits, that a member may be eligible to receive.

**Time-weighted rate of returns:** A measure of the compound rate of growth in a portfolio.

**Total Fund:** The Total Fund represents the combined activities and balances of all funds, including Retirement, HBS, and LTD.



Pictured: Ballooning over Sedona, Arizona.

## Popular Annual Financial Report 2025



*An agency of the State of Arizona*

**Arizona State Retirement System**

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