Greetings, ASRS Members.

As we look forward to this new year, I am very pleased to provide this update to you, which comes with positive news from the ASRS – for active members, retirees, employers, and for the overall health and sustainability of the ASRS benefit plans.

Here’s a quick summary based on our most recent fiscal year-end reports:

- **Reduced Contribution Rate Coming:** All actively contributing members and employer partners will see a decrease in the overall contribution rate beginning July 2022. The overall contribution rate will decrease by 0.24% - from the current 12.41% to 12.17%.

- **Benefit Increase for Retirees:** Eligible retired members and their surviving beneficiaries will receive a Permanent Benefit Increase (PBI) to their monthly benefit beginning with the July 2022 checks. Largely due to strong investment returns this year, a PBI of $11.49 for each year of service at retirement will be added to the annual base benefit of qualified retirees.

- **Strong Returns:** The ASRS overall investment rate of return for the fiscal year ended June 30, 2021, was one of the strongest in recent history, with a 25.1% net-of-fees return. Our 3, 5, and 10-year average returns are 10.3%, 10.9%, and 8.9%, respectively - significantly above our current and past assumed earnings rates.

I am also pleased to report that preliminary data shows that for the first half of this fiscal year – July through December – investment returns are also positive.

While strong investment returns are a primary reason for a favorable outlook, I would like to recognize the work and commitment from your investment team, executive management staff, the entire ASRS staff, and the Board of Trustees – all keenly focused on operations that drive our decision-making, with our members’ and retirees’ best interests in mind. With strong support from your Board of Trustees, we are committed to researching and implementing investment and operational strategies that produce positive results for the overall benefit of our members.

I, along with our Chief Investment Officer Mike Viteri and our outside investment consultants, are also embarking on a review of our overall asset allocation strategy with the goal of identifying possible areas where we can adjust...
strategies and further bolster our investment returns.

A Look at the Numbers

We also recently completed a review of our actuarial assumptions and consequently made some adjustments in order to further ensure the long term sustainability of the pension plan, health benefit supplement fund, and long term disability program.

The actuarial value funded status of the total plan as of June 30, 2021, is 71.5% and on a trajectory of slow and steady improvement with a long-term outlook for fully funded status.

The funded status of the Health Benefit Supplement is 133.1%, which is one of the highest of any state’s health benefit funds. And the funded status of the Long Term Disability Income Plan is at an all-time high of 87.6% and projected to be 100% funded in several years. These numbers do not include a very significant $5.3 billion in unrecognized investment gains. Should these unrecognized gains be included immediately rather than gradually, the funded status of the total plan as of June 30, 2021, would be 80.0%, and the funded status of the Health Benefit Supplement would be 148.9%, and the funded status of the Long Term Disability Income Plan would be 94.0%.

Recognition for the ASRS

I am also pleased to report that the ASRS has again received the Certificate of Achievement for Excellence in Financial Reporting for its 2020 Comprehensive Annual Financial Report. Presented by the Government Finance Officers Association of the United States and Canada (GFOA), it recognizes “achievement in the highest standards” for government accounting and financial reporting. It is the 32nd consecutive year the ASRS has received this prestigious recognition.

The report was judged by an impartial panel and deemed to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate the financial picture of the ASRS.

The ASRS was also recognized by the GFOA for its Popular Annual Financial Report, a summarized, reader-friendly version of the comprehensive report.

Separately, the ASRS has also been recognized with the Pension Standards Award for 2021 from the Public Pension Coordinating Council. The award recognizes the ASRS for “meeting professional standards for plan funding and administration.”

Moving Forward

While we may not be sure what the future holds, I do want to emphasize that you can have confidence in your ASRS benefits. Our plans are sustainable, designed to withstand economic challenges, and are backed by the trust fund, which currently has assets of approximately $50 billion and is available to pay current and future retirement, health, and disability payments.

We at the ASRS appreciate all you do and have done as public servants for our state and wish you and your family well in this new year!

Sincerely,
Paul Matson, ASRS Executive Director

Futures Your monthly newsletter for active ASRS members.

Have you been reading Futures, our monthly e-newsletter for members? 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. (Also, check your spam folder!)

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.
How does an ASRS pension compare to a retirement savings account such as a 401(k)? In technical terms, your ASRS pension plan is a 401(a) Defined Benefit plan, while a 401(k) is classified as a Defined Contribution plan. Similar names aside, there are many differences between the two, as outlined in the table below.

One important note: whether it’s a 401(k) or some other style of retirement savings plan, the ASRS heavily advocates members have a savings plan in addition to their ASRS account. While your ASRS pension is guaranteed for life, there are no provisions for automatic increases, such as a cost-of-living increase. Your pension is designed to be one piece of your retirement finances, with personal savings and Social Security completing your retirement finances and helping to offset future rising costs. For more information, visit our Supplement Your Retirement webpage at AzASRS.gov/content/supplement-your-retirement.

<table>
<thead>
<tr>
<th>YOUR ASRS PLAN</th>
<th>OTHER RETIREMENT SAVINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A 401(a) Defined Benefit Plan</strong></td>
<td><strong>Defined Contribution Plans, Examples: 401(k), 457(b), IRA</strong></td>
</tr>
<tr>
<td><strong>PARTICIPATION</strong></td>
<td></td>
</tr>
<tr>
<td>MANDATORY</td>
<td>Encouraged as a supplemental source of income in retirement.</td>
</tr>
<tr>
<td>For all employees of ASRS employers who meet membership criteria.</td>
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</tr>
<tr>
<td><strong>CONTRIBUTION AMOUNTS</strong></td>
<td></td>
</tr>
<tr>
<td>ASRS DETERMINES</td>
<td>The employee decides how much they wish to contribute.</td>
</tr>
<tr>
<td>The ASRS sets a mandatory contribution rate for members each fiscal year.</td>
<td></td>
</tr>
<tr>
<td><strong>EMPLOYER CONTRIBUTIONS</strong></td>
<td></td>
</tr>
<tr>
<td>MANDATORY</td>
<td>Some employers match an employee’s contributions, up to a certain amount.</td>
</tr>
<tr>
<td>All ASRS employers pay contributions on behalf of their ASRS member employees.</td>
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<tr>
<td><strong>INVESTMENT MANAGEMENT</strong></td>
<td></td>
</tr>
<tr>
<td>ASRS MANAGED</td>
<td>Employee decides how the funds are managed.</td>
</tr>
<tr>
<td>Employee and employer contributions are pooled together, invested, and managed by the ASRS investment team.</td>
<td></td>
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<tr>
<td><strong>RETIREMENT BENEFIT AMOUNT</strong></td>
<td></td>
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<tr>
<td>BASED ON ASRS FORMULA</td>
<td>The benefit amount varies based solely on the performance of the selected investments.</td>
</tr>
<tr>
<td>Pension benefits are calculated using number of service years, average final salary, and a graded multiplier, not determined by employee account balance.</td>
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</tr>
<tr>
<td><strong>RETIREMENT BENEFIT LENGTH</strong></td>
<td></td>
</tr>
<tr>
<td>LIFETIME BENEFIT</td>
<td>Employee must manage withdrawal amounts to ensure the funds last as long as they are needed.</td>
</tr>
<tr>
<td>Once eligible and you retire, your pension benefit is guaranteed for life, and will never be reduced.</td>
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</tr>
<tr>
<td><strong>LOANS OR WITHDRAWAL</strong></td>
<td></td>
</tr>
<tr>
<td>NOT PERMITTED</td>
<td>Loans or withdrawals are typically permitted, and subject to an IRS penalty if prior to 59 1/2 years old.</td>
</tr>
<tr>
<td>Loans or withdrawals are not permitted from an active member’s account due to IRS regulations.</td>
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</tbody>
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These two pages contain data from our recently released Fiscal Year 2021 Popular Annual Financial Report (PAFR), which ended June 30, 2021. 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 Annual Comprehensive Financial Report (ACFR). Both the PAFR and ACFR can be found on the Annual Reports page of AzASRS.gov, found in the About Us tab.

### Active Members by Employer Type

*(As of June 30, 2021)*

- **50% Public Schools (106,895)**
- **13% State Agencies (27,412)**
- **10% Counties (21,786)**
- **9% Cities & Towns (18,332)**
- **8% Universities (16,103)**
- **4% Community Colleges (9,349)**
- **3% Special Districts (6,796)**
- **3% Charter Schools (5,415)**

### Member Composition by Status

- **Receiving Benefits:** 27% (168,652)
- **Active Members:** 34% (212,088)
- **Inactive Members:** 39% (247,235)

### Member Averages

#### Active Member Averages (2020)

- Active Plan Members: 210,135
- Average Years of Service: 9.4
- Average Annual Salary: $51,676
- Average Age: 45.5

#### Retired Member Averages (2020)

- Retired Plan Members: 155,924
- Average Monthly Annuity\(T\): $1,704
- Average Years of Service: 19.4
- Average Age: 71.7

*The above tables summarize member averages determined from the ASRS’ June 30, 2020, actuarial valuation.*
The ASRS has a highly diversified portfolio with investment assets in public and private markets and across market sectors. Below are the ASRS’ actual asset allocations as of June 30, 2021.

**Portfolio Returns and Benchmarks**

ASRS funds are well-diversified, professionally managed, and high-performing - outperforming the 3 year, 5 year and 10 year time weighted return benchmarks while being 1.7% away from the 1-year benchmark for fiscal year 2021.

**Total Fund Market Value of Investment Assets**

The values at the right 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.

Want the full PAFR report? Visit the Annual Reports page at AzASRS.gov
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 have a number of videos to help answer common member questions and navigate retirement options. Part of this collection of videos are recorded versions of our Route 3 and Route 4 webinars, which are traditionally two of our most popular meetings and webinars. Both are geared towards those who are starting to think about retirement.

Also found on the Member Videos page is our popular "Q & ASRS" video series, in which Retirement Specialists from our call center answer some of the most frequently asked questions they get while assisting our members. We're adding more all the time, so make sure to check back often or subscribe to our YouTube channel.

Virtual 1-on-1 Appointments
In addition to group online webinars and prerecorded offerings, we also have online one-on-one counseling sessions with Retirement Specialists. To register, log into your secure myASRS and look for the "Remote Online Counseling" button in the Member Meetings section. Please note that there is limited availability, with next available appointments typically being a couple months out.
There are many benefits to joining our various social media channels, including Facebook, Twitter, YouTube, and even LinkedIn. Social media isn’t only a place to share pictures and funny jokes. We are more connected than ever - answers are available literally at your fingertips.

From important communications to lighthearted polls, interesting retirement articles and fun facts, it’s become easier than ever to engage with the ASRS. Our aim with social media is to bring our community of members together and educate everyone with valuable content.

We welcome members to all our social media platforms, including:

**YouTube: AzASRSGov**

The ASRS YouTube channel hosts all of our videos. (search for Arizona State Retirement System on YouTube). If you’re a newer member, we suggest starting with the ‘Your Benefits as an ASRS Member’ video, or the ‘Top Call Center Questions’ video series, where we answer common member questions. Comments are unavailable, so if you have questions be sure to ask on Facebook or Twitter!

**Twitter: @AzASRS**

Twitter primarily attracts our active and contributing ASRS members. We enjoy hosting polls and sharing tweets from members and other government agencies as well. You’ll find a bunch of articles and educational resources here for the active stage of your career.

**Facebook: @AzASRS**

Many of our Facebook interactions are with ASRS retirees, making it a great place for new and current ASRS members to ask questions and receive feedback from those who may have been in your same shoes. We offer retirement advice and dedicate this space to educating our upcoming and current retirees.

We hope you enjoy this quicker way to communicate with the ASRS as we continue to expand our social media presence – places everyone can go to connect, ask questions, and find answers to questions you hadn’t even thought to ask yet.

**Social Media Do's & Don'ts**

A reminder on some best practices when interacting with the ASRS online.

**Do** – Participate and engage! Have fun with our contests and enjoy the articles we send out. Let us know what you find valuable and what you would like to see more of in the future.

**Do** – Share your expertise! Social media gives you an opportunity to share what you know with the world around you.

**Do** – Educate yourself! Ask questions. We’re here to help, and our members are friendly and enjoy sharing as well.

**Do Not** – Share information that could reasonably be construed as compromising public safety.

**Do Not** – Post confidential member information online or in messages. This includes social security numbers, addresses, financial account information, or phone numbers.

**Do Not** – Use threatening, defamatory, harassing, or discriminatory language.

Logged into you myASRS account lately? We recommend updating your account at least yearly!
Accessing Your Member Statement on myASRS

Members can view and print a copy of their Member Statement online at any time at AzASRS.gov in their secure myASRS account. 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.

Financial Horizons

An annual publication of the Arizona State Retirement System - January 2022

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- And more!

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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