

# HOW...

## **ASRS Employees Deliver Service With PRIDE!**

### **PROFESSIONALISM**

*We promote, strive for and expect individuals, teams, and divisions to possess professional qualities and skills to lead the organization.*

- Displays a friendly, respectful and courteous demeanor even when confronted by adversity
- Has proactive and responsive approach to internal and external customer needs
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability • Has subject matter expertise
- Has critical thinking skills • Has an honest, fair, non-judgmental mind-set
- Is adaptable to beneficial change • Adheres to the ASRS Code of Conduct

### **RESULTS**

*We treasure the achievements of individuals, teams, divisions and the agency that energize the organization.*

- Meets goals and objectives
- Completes projects
- Produces quality work products
- Satisfies customers
- Attains individual accomplishments
- Manages risks successfully

### **IMPROVEMENT**

*We appreciate individuals, teams or divisions who drive the agency forward with new, innovative ideas and solutions.*

- Promotes new ideas
- Enhances outcomes and performance
- Solves problems
- Enhances morale
- Improves relationships
- Increases efficiency, effectiveness or reduces costs

### **DIVERSITY**

*We recognize that utilizing different talents, strengths and points of view, strengthens the agency and helps propel outcomes greater than the sum of individual contributors.*

- Encourages an attitude of openness and a free flow of ideas and opinions
- Treats others with dignity and respect
- Works effectively to accomplish goals with teams comprised of dissimilar individuals
- Recognizes and promotes skills in others attained on and off the job

### **EXCELLENCE**

*We celebrate individuals, teams and divisions who exceed expectations and deliver service with a PRIDE that permeates the organization.*

- Surpasses member, stakeholder and associate expectations
- Demonstrates a willingness to go the extra mile to engender a positive public image
- Embraces change in a manner that inspires others
- Accepts responsibility and challenges with enthusiasm
- Takes a personal interest in promoting teamwork through effective use of communication (verbal, non-verbal, written and technological techniques)
- Creates a motivated, healthy and productive work environment that celebrates and rewards the accomplishments of others



**ARIZONA STATE  
RETIREMENT SYSTEM**



# ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson  
Director

## AGENDA

### NOTICE OF COMBINED PUBLIC MEETING AND POSSIBLE EXECUTIVE SESSION OF THE ARIZONA STATE RETIREMENT SYSTEM BOARD

3300 North Central Avenue, 10<sup>th</sup> Floor Board Room  
Phoenix, AZ 85012

October 30, 2015  
8:30 a.m.

Pursuant to A.R.S. § 38-431.02 (F), notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Board and to the general public that the ASRS Board will hold a meeting open to the public on Friday, October 30, 2015, beginning at 8:30 a.m., in the 10<sup>th</sup> Floor Board Room of the ASRS offices at 3300 N. Central Avenue, Phoenix, Arizona 85012. Trustees of the Board may attend either in person or by telephone conference call.

The Chair may take public comment during any agenda item. If any member of the public wishes to speak to a particular agenda item, they should complete a "Request To Speak" form indicating the item and provide it to the Board Administrator.

This meeting will be teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening Remarks..... Mr. Jeff Tyne  
Board Vice Chair
2. Approval of the Minutes of the September 25, 2015 Public Meeting and Executive Session of the ASRS Board (*estimated time 1 minute*)..... Mr. Jeff Tyne
3. Presentation, Discussion, and Appropriate Action Regarding the ASRS Legislative Initiatives for the 2016 Legislative Session (*estimated time 10 minutes*) ..... Mr. Patrick Klein  
Assistant Director, External Affairs Division  
..... Mr. Nick Ponder  
Government Relations Officer
4. Presentation, Discussion and Appropriate Action Regarding Outcomes of the ASRS Strategic Plan Priority #4: Ensure Outstanding Customer Service, for Fiscal Year 2015 (*estimated time 15 minutes*)..... Mr. Dave King  
Assistant Director, Member Services Division  
..... Ms. Sara Orozco  
Strategic Planning Manager  
..... Mr. Jeremiah Scott  
Sr. Strategic Planning Analyst

- 5. Presentation, Discussion and Appropriate Action Regarding the Current Performance and Future Strategic Priorities of Employer Services (a FY15 Strategic Topic) (*estimated time 20 minutes*)..... Mr. Dave King  
..... Ms. Sara Orozco  
..... Mr. Jeremiah Scott

*Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(3), notice is hereby given to Trustees of the ASRS Board and the general public that the ASRS Board may vote to go into executive session, which will not be open to the public, for the purpose of discussion or consultation for legal advice.*

- 6. Appropriate Action Regarding Ms. Mehrzad Khorsandi's Motion for Review and Reconsideration of a Final Decision (*estimated time 20 minutes*).....Mr. Rex Nowlan  
Assistant Attorney General  
.....Mr. Chris Munns  
Assistant Attorney General, Solicitor General Section
- 7. Presentation, Discussion and Appropriate Action Regarding the 2016 Board Meeting Calendar (*estimated time 5 minutes*)..... Mr. Paul Matson
- 8. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events (*estimated time 5 minutes*) ..... Mr. Paul Matson  
..... Mr. Anthony Guarino  
Deputy Director and Chief Operations Officer

- A. 2015 Investments Report
- B. 2015 Operations Report
- C. 2015 Budget and Staffing Reports
- D. 2015 Cash Flow Statement
- E. 2015 Appeals Report
- F. 2015 Employers Reporting

- 9. Presentation and Discussion with Regard to Informational Updates from Prior and Upcoming Committee Meetings (*estimated time 15 minutes*)
  - a. Operations and Audit Committee (OAC) .....Mr. Jeff Tyne, Chair  
.....Mr. Anthony Guarino  
*The next OAC Meeting will be held on November 10, 2015*
  - b. External Affairs Committee (EAC)..... Dr. Richard Jacob, Chair  
.....Mr. Patrick Klein  
*The next EAC Meeting will be held on November 13, 2015*
  - c. Investment Committee (IC) ..... Mr. Tom Connelly, Chair  
.....Mr. Gary Dokes  
*The next IC Meeting will be held on November 30, 2015*
- 10. Board Requests for Agenda Items (*estimated time 1 minute*) ..... Mr. Jeff Tyne
- 11. Call to the Public..... Mr. Jeff Tyne

Those wishing to address the ASRS Board are required to complete a Request to Speak

form before the meeting indicating their desire to speak. Request to Speak forms are available at the sign-in desk and should be given to the Board Administrator. Trustees of the Board are prohibited by A.R.S. § 38-431.01(H) from discussing or taking legal action on matters raised during an open call to the public unless the matters are properly noticed for discussion and legal action. As a result of public comment, the Board may direct staff to study and/or reschedule the matter for discussion and decision at a later date.

12. The next regular public ASRS Board meeting is scheduled for Friday, December 4, 2015, at 8:30 a.m., at 3300 N. Central Avenue, in the 10th Floor Board room, Phoenix, Arizona.

*Regarding the following agenda item, pursuant to A.R.S. § 38-431.03(A)(1), notice is hereby given to Trustees of the ASRS Board and the general public that the ASRS Board shall vote to go into executive session, which will not be open to the public, for the purpose of the Director's annual review and discussion of the Director's Employment Contract.*

13. Presentation, Discussion, and Appropriate Action Regarding the review of the Director and Employment Contract for the Director (*estimated time 15 minutes*)..... Mr. Jeff Tyne
14. Adjournment of the ASRS Board.

A copy of the agenda background material provided to Board Trustees (with the exception of material relating to possible executive sessions) is available for public inspection at the ASRS offices located at 3300 North Central Avenue, 14th Floor, Phoenix, Arizona and 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona. The agenda is subject to revision up to 24 hours prior to meeting. These materials are also available on the ASRS website (<https://www.azasrs.gov/web/BoardCommittees.do>) approximately 48 hours prior to the meeting.

Persons(s) with disabilities may request a reasonable accommodation such as a sign language interpreter or alternate formats of this document by contacting Tracy Darmer, ADA Coordinator at (602) 240-5378 in Phoenix, at (520) 239-3100, ext. 5378 in Tucson, or 1-800-621-3778, ext. 5378 outside metro Phoenix or Tucson. Requests should be made as early as possible to allow time to arrange the accommodations.

Dated October 23, 2015

ARIZONA STATE RETIREMENT SYSTEM

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Melanie A. Alexander  
Board Administrator

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Paul Matson  
Director



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, September 25, 2015  
8:30 A.M., MST

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Kevin McCarthy, Chair of the ASRS Board, called the meeting to order at 8:30 A.M., Arizona Time.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

### 1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Kevin McCarthy, Chair  
Mr. Jeff Tyne, Vice Chair  
Mr. Tom Connelly  
Professor Dennis Hoffman  
Mr. Tom Manos  
Dr. Richard Jacob  
Mr. Robert Wadsworth

Absent: Mr. Clark Partridge

One vacant position.

A quorum was present for the purpose of conducting business.

### 2. Presentation Regarding PRIDE Award for Improvement

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, recognized the following nominees for the 2015 PRIDE Improvement award: Marcia Kumamoto and Mark Muraoka; John Doran; Rama Tripuraneni; MAC Action Committee – Judy Simpson, Randy Gray, Marcus Jones, Katie Daigneault, Kathy Palmer, Jan Cameli and Lorra Mizner; and TSD Project Management Team – Teresa Donohue, Brandon Heathcotte, Trent Kendall, Meskel Assefa, Sandy Wang, Megha Choudhari and Bhargavi Ravinuthala.

All were nominated by staff because they exemplify the following PRIDE qualities of improvement:

- Promote new ideas

- Solve problems
- Enhance outcomes or performance
- Improve relationships
- Enhance morale
- Increase efficiency, effectiveness or reduce costs

Mr. Guarino presented the PRIDE Award for Improvement to the award winner, Rama Tripuraneni.

### **3. Presentation Regarding Government Finance Officers Association (GFOA) Financial Reporting Awards**

#### **A. Comprehensive Annual Financial Report (CAFR) for Fiscal Year (FY) 2014**

#### **B. Popular Annual Financial Report (PAFR) for FY 2014**

Mr. Guarino announced the ASRS has been recognized by GFOA for 26 consecutive years as recipient of the Comprehensive Annual Financial Report (CAFR) award. Mr. Guarino presented the 2014 award to Ms. Liz Rozzell, Controller. Ms. Nancy Bennett, Chief Financial Officer was unable to attend.

A Certificate of Achievement is presented by the GFOA to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting. The following staff were recognized for having a substantial part in the ASRS receiving the CAFR award: Nancy Bennett, Liz Rozzell, Erin Higbee, John Maczko, Tonia Nemecek, Debbie Motta, Rebecca Fox, Kristin Berry, Lupita Breland, Kerry White and Michael Copeland.

In addition, the ASRS also received the GFOA Award for Outstanding Achievement for the 2014 Popular Annual Financial Report (PAFR). Staff who had a significant part in the ASRS receiving the PAFR award were Nancy Bennett, Liz Rozzell, Erin Higbee, John Maczko and Rebecca Fox.

The GFOA established the PAFR Awards Program in 1991 to encourage and assist state and local governments to extract information from their CAFR to produce high quality PAFRs specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal.

### **4. Approval of the Minutes of the August 28, 2015 Public Meeting and Executive Session of the ASRS Board**

**Motion:** Prof. Dennis Hoffman moved to approve the Minutes of the August 28, 2015 Public Meeting and Executive Session of the ASRS Board. Mr. Tom Connelly seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

## **5. Presentation, Discussion, and Appropriate Action Regarding the ASRS' Performance in the CEM Pension Benefit Administration Benchmarking Survey for the Period Ending June 30, 2014**

Ms. Jan Hartford, Director of Pension Benefit Administration Benchmarking, CEM Benchmarking Inc., was present and provided the Fiscal Year (FY) 2014 results for the ASRS. Ms. Hartford explained how the peer comparisons are done, and also discussed how the ASRS ranks among its peers. CEM's analysis also explains how the ASRS can make improvements to its score.

The ASRS has participated in the CEM pension benefit administration benchmarking study since 2001. Each year, the ASRS submits data regarding service features, transaction volume, and costs and staffing, broken down by activity membership, and plan design. CEM compiles the results and provides a report detailing the cost effectiveness of the ASRS. Specifically, the report compares and contrasts:

- Peer Characteristics
- Service Levels
- Total Costs
- Cost by Activity
- Staff Costs and Productivity
- Transaction Volumes
- Complexity
- IT and Major Projects

Currently, the ASRS spends \$83 per member and annuitant which is below the peer average of \$99. Additionally, the ASRS' service score improved from 81 to 87 over the last four years. The outcome demonstrates the ASRS has a productive, low cost, and cost effective operation that provides high levels of service.

## **6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Real Estate Strategic Plan Revisions**

Mr. Gary Dokes, Chief Investment Officer, presented the modifications of the ASRS Real Estate Strategic Plan along with Mr. Karl Polen, Head of Private Markets Investing, and Mr. Allan Martin, Consultant, NEPC, who were present via teleconference to respond to questions from the Board.

The ASRS invests in real estate in accordance with a Real Estate Strategic Plan approved by the Investment Committee and the Board. This Strategic Plan was last updated in October of 2011. At its meeting on July 20, 2015, the Private Markets Committee reviewed and approved proposed changes to the Strategic Plan and recommended them to the Investment Committee (IC) on August 24, 2015. The recommended changes were approved by the IC and are now being recommended to the full Board for approval.

The proposed changes expand the separate account program to encompass a target of 75% of real estate assets. The separate account program is being expanded in order to pursue customized investment strategies, greater alignment of interest and enhanced control through partner of one structures and reduced fees. The proposed changes align the strategic plan with current risk management perspectives by updating the permitted property types and modifying

the risk categories to focus on objective and functional risks of property based on leasing status and life cycle stage. The proposed strategic plan maintains leverage targets in the 50% to 60% range, but measures leverage at the total portfolio level allowing some flexibility at the property level for fixed rate debt while constraining variable rate debt at lower leverage levels.

The ASRS real estate consultant has reviewed the revised plan, and has concluded it is appropriate and concurs in its adoption.

**Motion:** Mr. Tom Connelly moved to approve the ASRS Real Estate Investment Program Strategic Plan as presented. Dr. Richard Jacob seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

## **7. Presentation, Discussion, and Appropriate Action Regarding ASRS Proposed Legislation for the 2016 Legislative Session**

Mr. Klein introduced the topic by stating that during the summer of this year the External Affairs Division (EAD) received legislative suggestions from ASRS staff, third party administrators, and Trustees concerning federal statutory requirements; plan inefficiencies, inconsistencies, and inequities; administrative concerns; and others. The EAD researched and discussed each suggestion in conjunction with Trustees, Executive Management, and other internal staff. Staff first presented the legislative package at the September 11, 2015, External Affairs Committee (EAC) meeting. The EAC moved to recommend to the full Board approval of the legislative initiatives at its September 25, 2015 meeting. The EAC also discussed several changes to the member appeal process as a legislative initiative. Mr. Klein turned the discussion over to Mr. Nick Ponder, Government Relations Officer, who reviewed each of the seven ASRS legislative initiatives:

**Session Law: Regarding employees who were not covered under the state Social Security Administration Agreement Section 218-** The ASRS identified four (4) groups impacted by HB 2050 (2014), but one of the groups needed additional regulatory assistance. As a result, the ASRS submitted a Voluntary Correction Program (VCP) to the Internal Revenue Service (IRS) for those individuals who were, potentially, inappropriately enrolled in the ASRS, and whose accounts remain in the system because the legislature requested a moratorium on removing them. The ASRS received approval from the IRS and must get the approval language in session law to grandfather this group into the ASRS.

Mr. Ponder advised the Board that he will be requesting an emergency clause to ensure this is effective by August 31, 2016, in the event the legislative session hasn't closed by May 31, 2016.

**A.R.S. § 38-797.10: LTD Disability Program, exempt from "bad faith" claims as it relates to Long Term Disability (LTD)-** The ASRS would like similar protection from "bad faith" claims to ERISA plans. The initial language proposed during the 2015 legislative session provided greater protection than protections for private ERISA plans. Because this was not the intent, the ASRS has modified its proposed language. A concern was raised from legislative staff that this modification would violate the anti-abrogation clause in the Arizona Constitution (Article 18, Section 6). In response to that concern the ASRS sought analysis from an outside attorney who concluded it does not violate the anti-abrogation clause in the Arizona Constitution. The analysis was provided to legislative council who concurred with the outside attorney's analysis. Mr.

Ponder confirmed he also inquired with the legislative staff following the attorney and legislative council analysis and staff suggested to proposed the bill for the 2016 session.

**A.R.S. § 41-005 Exemptions from Rulemaking-** Historically, the ASRS has acted with the understanding that the ASRS has been exempt when acting on certain financial, actuarial or investment decisions which is not properly addressed in the rulemaking process. The ASRS would like to pursue language codified in statute to clarify that.

**A.R.S. § 38-738(A): Relating to Employer Credits-** The ASRS would like to codify in statute current practice as it relates to employer credits and interest charged on these credits under A.R.S. § 38-738.

**A.R.S. § 38-738(B): Clarify the purchase of Contributions Not Withheld (CNW) service by members who are inactive, retired, or on Long Term Disability (LTD)-** Currently, the statute refers to “members” as one group and suggests they can purchase service pursuant to A.R.S. § 38-747, which would include rollovers and payroll deduction agreements. The ASRS would like to propose added language to distinguish between those members who are active verses those who are inactive, retired, or on LTD to conform to federal requirements.

**A.R.S. § 38-742(B): Purchase of Forfeited Service-** Currently, the statute indicates a member must repay what was received in a refund, plus interest, in order to receive service credit for that period. It does not address the situation where, under a Domestic Relations Order (DRO), an ex-spouse may receive a portion of the member’s benefit that was assigned to the ex-spouse. The ASRS would like to propose language to clarify that the member must repay the total amount in order to receive the full amount of service credit, not only the portion received by the member.

**A.R.S. § 38-714(E): Modifications to the ASRS Appeals Process-** The ASRS would like to propose modifications to the appeal process to enhance the process for the ASRS Board and the Appellant. The following three options were proposed:

- A. Establish an Appeals Board that would hear appeal cases separate from the full Board.
- B. Eliminate the administrative appeal process and Board participation.
- C. Establish a Committee of the board with authority granted in statute to take legal action on appeals.

Mr. Ponder stated the recommendation from staff was Option C above and the Board agreed.

Mr. Ponder briefly apprised the Board of other expected legislative items that will not be initiated by the ASRS but could affect the ASRS.

**Motion:** Prof. Dennis Hoffman moved to approve the 2016 legislative initiatives as presented by staff, permit staff to make all language changes and negotiate as necessary to obtain the most effective and efficient legislative provision within the construct of today’s discussion. Mr. Jeff Tyne seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

**8. Approval, Modification, or Rejection of the Recommended Administrative Law Judge's Decision Regarding Mr. Robert Merritt's Appeal to Transfer Corrections Officer Retirement Plan Service Credit to the ASRS Based on a May 2008 Cost Calculation**

Mr. Chris Munns, Assistant Attorney General, Solicitor General Section, was present via teleconference to provide legal advice to the Board, if requested.

Mr. Robert Merritt was not present.

Ms. Jothi Beljan, Assistant Attorney General, advised the Board that the ASRS did not receive notification from the appellant that he would be present. Ms. Beljan provided a brief summary of her position regarding Mr. Merritt's appeal to the Board. Ms. Beljan requested that the Board modify the Recommended Administrative Law Judge's Decision as follows:

1. Replace the phrase "Corrections Officers' Retirement Program" with the phrase "Corrections Officer Retirement Plan" in Finding of Fact No. 1 because A.R.S. § 38-882 establishes the Corrections *Officer* Retirement *Plan*.
2. Replace the date "January 14, 2015" with the date "August 8, 2014" in Finding of Fact No. 6 based on ASRS Exhibit G referenced in the Recommended Decision, footnote 5.
3. Correct the typographical errors in Conclusion of Law No. 3 mislabeling A.R.S. § 38-922 paragraph A as C and mislabeling paragraph B as D with the correct statutory paragraphs in A.R.S. § 38-922.

**Motion:** Dr. Richard Jacob moved to modify the Administrative Law Judge's Decision as requested by the ASRS to include amendments #1-3 as stated above. Mr. Tom Manos seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

**9. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events**

Mr. Paul Matson stated he had nothing further to add regarding the Director's Report but would answer any questions the Board may have regarding the report.

Mr. Guarino requested to make a correction to an earlier statement he made regarding staff turnover. Mr. Guarino's earlier statement of staff turnover being under ten percent was as of July 15, 2015; however, as of August 31, 2015, the current rate is eleven percent.

**10. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings**

**a. Operations and Audit Committee (OAC)**

Mr. Jeff Tyne announced the next OAC meeting will be held on November 10, 2015 at 10:30 a.m. in the 14<sup>th</sup> floor conference room to further discuss health care, external and internal audits and other developments and accomplishments.

**b. External Affairs Committee (EAC)**

Dr. Richard Jacob announced the October 9, 2015 EAC meeting will be cancelled. The next meeting will be held on November 13, 2015 at 10:30 a.m. in the 14<sup>th</sup> floor conference room and will provide an update on the legislative efforts to secure bill sponsorships and additional legislative issues that may arise, along with possible discussion of the ASRS' 2016 regulatory agenda as it pertains to administrative rule changes and additions the ASRS will request from the Governors Regulatory Review Council.

**c. Investment Committee (IC)**

Mr. Tom Connelly announced the next IC meeting will be held on October 26, 2015 at 2:30 p.m. in the 14<sup>th</sup> floor conference room. In addition a special Round Table event will be scheduled for this fall to discuss the impact of the end of Federal Reserve easing.

**d. Ad Hoc Compensation Committee**

Mr. Tom Manos announced all outstanding tasks have been completed; therefore, a future meeting of the Ad Hoc Compensation Committee has not been scheduled.

**11. Board Requests for Agenda Items**

No requests were made.

**12. Call to the Public**

No one from the public requested to speak.

**13. The next regular ASRS Board meeting is scheduled for Friday, October 30, 2015, at 8:30 A.M., at 3300 N. Central Avenue, 10<sup>th</sup> Floor Board room, Phoenix, Arizona.**

*The public meeting was adjourned from the 10<sup>th</sup> floor Board Room at 10:23 a.m. and moved to the 14<sup>th</sup> floor conference room.*

**14. Presentation, Discussion, and Appropriate Action Regarding ASRS Actuarial Services**

**Motion:** Dr. Richard Jacob moved to go into executive session to seek legal advice. Prof. Dennis Hoffman seconded the motion.

By a vote of 7 in favor, 0 opposed, 0 abstentions, 1 excused, and 1 vacancy, the motion was approved.

The Board convened to executive session at 10:35 a.m.

**15. Presentation, Discussion, and Appropriate Action Regarding the Review of the Director and Employment Contract for the Director**

The Review of the Director and Employment Contract was not heard and will be presented at the October 30, 2015 Board meeting.

**16. Adjournment of the ASRS Board**

Mr. McCarthy adjourned the public meeting and executive session at 11:10 a.m.

ARIZONA STATE RETIREMENT SYSTEM

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Melanie A. Alexander  
Board Administrator

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Paul Matson  
Director

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*Paul Matson*  
Director

## MEMORANDUM

**TO:** Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

**FROM:** Mr. Paul Matson, Director  
Mr. Patrick Klein, Assistant Director, External Affairs Division  
Mr. Nick Ponder, Government Relations Officer

**DATE:** October 19, 2015

**RE:** **Agenda Item #3:** Presentation, Discussion and Appropriate Action Regarding the ASRS Legislative Initiatives for the 2016 Legislative Session

### Purpose

Status report on ASRS 2016 legislative initiatives and other related information.

### Recommendation

Information item only; no action required.

### Background

On Friday, September 25, 2015 the ASRS Board approved seven legislative initiatives for the 2016 session. Since that date staff has been working to attain sponsorship for each item.



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*Paul Matson*  
Director

## MEMORANDUM

**TO:** Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

**FROM:** Mr. Anthony Guarino, Deputy Director and Chief Operations Officer  
Mr. Dave King, Assistant Director Member Services Division  
Ms. Sara Orozco, Strategic Planning Manager  
Mr. Jeremiah Scott, Sr. Strategic Planning Analyst

**DATE:** October 19, 2015

**RE:** **Agenda Item #4:** Presentation, Discussion and Appropriate Action Regarding Outcomes of the ASRS Strategic Plan Priority #4: Ensure Outstanding Customer Service, for Fiscal Year 2015

### **Purpose**

Progress report of the ASRS Strategic Priority #4.

### **Recommendation**

Information only, no action required.

### **Background**

In 2013, the Board identified five agency priorities for its 5-year Strategic Plan:

1. Maximize the sustainability of ASRS plan designs.
2. Organize an enterprise-wide risk management program to proactively monitor, manage and mitigate high impact risk events.
3. Organize an investment management program capable of meeting its long-term goals.
4. Ensure members, employers and stakeholders receive outstanding customer service.
5. Maximize productivity and be a high-service, low-cost pension plan provider.

Once annually, staff provides a report to the Board on the agency's performance related to each of the priorities. Today's report will focus on priority four to provide outstanding customer service. The other strategic plan priorities will be covered in subsequent board meetings.

The attached report lists management's desired objectives in meeting the priority, outlines the agency's performance and/or progress meeting the priority, and provides a rating indicative of management's current outlook. The ratings given represent management's "house view," and are based on professional perspectives and an assortment of available data and measures.

Ratings are color-coded to indicate whether management's outlook is:

- **Green** = Positive Outlook
- **Red** = Negative Outlook
- **Yellow** = Neutral, or an Uncertain Outlook
- Some Combination: Positive to Neutral; Neutral to Negative

# FISCAL YEAR 2015 PERFORMANCE REPORT

## STRATEGIC PRIORITY #4 – ENSURE OUTSTANDING CUSTOMER SERVICE

**Review Committee:**

Anthony Guarino, Sara Orozco, Dave King, Nancy Bennett, Kent Smith, Pat Klein, Martha Rozen

### 4. A. B. C. MEMBER TRANSACTIONS (RETIREES, ACTIVE, AND INACTIVE MEMBERS)

**OUTLOOK: POSITIVE**

**Performance measures:**

- a) Document the timeliness of new retiree payments, pension payments, refund payments, survivor benefit payments, service purchase invoices, and service purchase payments.
- b) Document the accuracy reported in internal audit quality reviews of disbursements and service purchase.
- c) Document the types of self-service transactions available, member utilization of those capabilities, and any upcoming initiatives to improve self-service for member transactions.
- d) Document the types of communications members receive when they request a member transaction.
- e) Document the levels of member satisfaction for the new retiree, refund, survivor benefit, and service purchase process (there is no survey for the pension process).
- f) Document how the ASRS pension, new retiree, refund, survivor benefit, service purchase, and web self-service process performs in comparison to peers in the CEM peer universe.

**Timeliness:**

Performance statistics indicate that a majority of members who initiated a transaction in fiscal year 2015 received timely service. Strategic objectives were met in a majority of months this year (76%).

Key Service Measures	Objective	# of Months met	Highest Month	Lowest Month
<b>Monthly Pensions:</b> Disburse pension payments on or before the first day of each month	99.50%	12	100%	99.90%
<b>Refunds:</b> Disburse refund within 10 business days following receipt of the application and any documents needed for processing	90%	12	99%	97%
<b>System Member 13th Checks:</b> Disburse 13th checks to eligible System members prior to the end of the calendar year, ensuring notification is provided to System members prior to the distribution date	on or before 12/31	Disbursed on 12/12/2014	n/a	n/a
<b>Service Purchase Payments:</b> Process service purchase payments and payment-related documents within 5 business days following receipt	90%	12	99%	90%
<b>Survivor Benefit Payments:</b> Disburse lump sum payments within 10 business days of document receipt	90%	11	100%	68%
<b>Survivor Benefit Documents:</b> Distribute within 10 business days of notification of death	90%	9	94%	87%
<b>Service Purchase Cost Invoices:</b> Distribute cost invoices within 10 business days following receipt of the application and any documents needed for processing	90%	6	100%	73%
<b>New Retirees:</b> Disburse an estimated retirement benefit within 10 business days of the retirement date	90%	2	94%	77%

*New Retirees* – The percentage of members who are eligible for, and receiving, an estimated retirement benefit only slightly improved over last year, meeting the objective in 2 of 12 months this fiscal year. To further improve performance, Management will need to enhance its technology applications to permit payment of lump sum retirements through a daily disbursement process, similar to refunds. Until these enhancements can be made, Management will be looking at lowering its timeliness expectation.

*Service Purchase* – The percentage of members who received a cost estimate within 10 days dropped slightly this year, meeting the objective in only 6 of 12 months. This drop is a result of volume increases that occurred as a result of a legal ruling and also work associated with the Oracle modernization project, which has involved 3 employees primary to the processing of service purchase.

**Accuracy:** Internal audit reviews of refund (100% accuracy rating) and service purchase (99% and 100% accuracy ratings) continued to indicate that the ASRS is accurately calculating benefits.

**Online Services:** A high number of members used the website this year to initiate a transaction or make changes to their ASRS account. Overall, the agency is progressing well in the achievement of its 5-year strategic objectives for online services.

Online Services	Objective	Monthly Utilization-FY15	
	(measured monthly)	Low(%)	High(%)
Refund Applications	90%	88%	98%
Retirement Applications	90%	54%	70%
Address Updates	75%	70%	88%
Beneficiary Updates	75%	58%	83%
Tax Withholding Updates	75%	65%	88%
Direct Deposit Updates	75%	40%	57%

*Retirement Applications* – Use of the online retirement application continues to grow. At the start of the year, just over half of all applications (54%) were submitted online. By the end of the year, 70% were submitting online. At the current rate of adoption, the ASRS should expect 80% or more applications to be submitted online by the end of fiscal year 2016.

*Direct Deposit Updates* - Retirees have been less likely to use the secure website to update their banking information. Efforts are currently underway in the contact center to educate members how to update their Direct Deposit online.

This fiscal year, a number of items were added to increase retiree utilization of the secure website:

- A benefit details page with summary information regarding retirement elections (age, salary, and service at retirement, retirement option chosen, etc.).
- Information about retiree healthcare elections, premiums, and premium supplement amounts.
- The retiree beneficiary page was enhanced to allow retirees with straight life annuities to change their beneficiary online, and to show retirees with term certain and straight life annuities whether any benefit remains to be paid to a beneficiary.
- A pension verification page was created for retirees who need to provide a third party with information regarding their pension (how much the benefit is and how long it will be paid).

Within the next year, the ASRS also hopes to move the health insurance enrollment process online to further enhance the secure site for retirees.

**Communication:** When members initiate a retirement or refund transaction online, they receive an acknowledgement of their request, as well as periodic emails at key steps in the process. Members can also view the current status of their request at any time by logging into the ASRS website. Members who initiate a refund or retirement transaction with a paper application do not receive an acknowledgement letter, but are still able to view their status by logging into the secure website. If there is something wrong with an application (data or signatures missing, etc.), the ASRS will contact the member to notify them of the action they need to take. Lastly, when a transaction is completed, the relevant information about the transaction will be mailed to the member’s home.

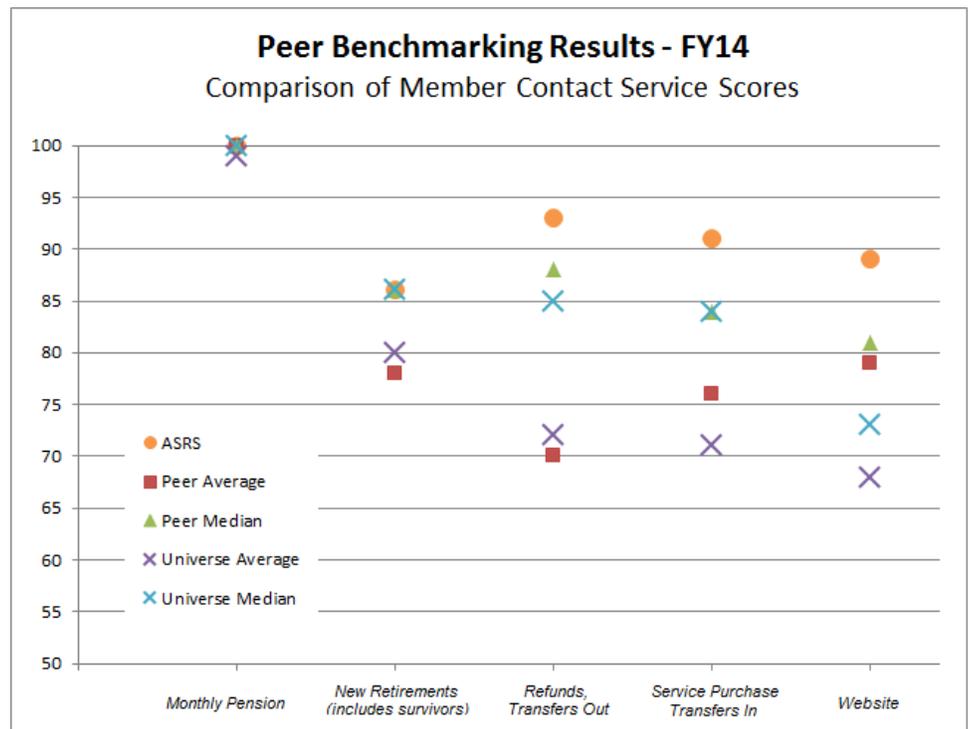
**Member Satisfaction:** Satisfaction levels remain high, with 90 percent or more of members indicating that they were “very satisfied” or “satisfied” with the service they received in 3 of the 4 key transaction areas.

Service purchase narrowly missed its member satisfaction objective, with only 88 percent indicating they were satisfied overall. Service purchase, which can be highly complex, continues to be the area members are least likely to be satisfied with.



**Benchmarking:** Service levels at the ASRS continue to compare favorably when measured against peers.

When measured against the CEM universe, ASRS service levels are equal to or better than the peer median and also the median of the universe of participants in all categories.



## 4. A. B. C. MEMBER CONTACTS (RETIRES, ACTIVE, AND INACTIVE MEMBERS)

OUTLOOK: POSITIVE

### Performance measures:

- Document the timeliness of the member advisory center, one-on-one counseling, correspondence, benefit estimate, and appeals processes.
- Document the quality ratings of the member advisory center, and any other relevant quality measures that have been conducted by staff or internal audit during the fiscal year.
- Document the different ways members can receive counseling.
- Document the types of communications available to members prior to retirement.
- Document the levels of member satisfaction for the member advisory center, one-on-one counseling, group counseling, and benefit estimates.
- Document how the call center, one-on-one counseling, presentations and group counseling, and benefit estimate processes perform in comparison to peers in the CEM peer universe.

**Timeliness:** The ASRS exceeded its timeliness objectives for most months in fiscal year 2015. The call center met its objectives 11 of 12 months in FY15 and has maintained high levels of service throughout the year. Email response times have been the only area where timeliness objectives have not regularly been met this fiscal year. In the most recent strategic plan, the agency lowered its email turnaround time objective (from 3 business days to 24 hours). Although, on average, the agency has met this objective, the agency has not yet regularly met the 90% threshold it has set, but continues to work towards meeting that objective in the future.

Key Service Measures	Objective	# of Months Met	Highest Month	Lowest Month
<b>One-on-One Appointments:</b> Assist within 5 minutes of appointment or arrival time (whichever is later).	80%	12	98%	95%
<b>One-on-one Walk-ins:</b> Assist within 30 minutes of arrival.	80%	12	98%	93%
<b>Appeals:</b> respond to assistant director and/or director level appeals within 10 business days.	90%	12	100%	91%
<b>Telephone:</b> Answer calls within 20 seconds of entering the queue.	80%	11	96%	78%
<b>Benefit Estimates:</b> Distribute within 3 business days of request.	95%	10	100%	86%
<b>Email:</b> Respond within 1 business day of receipt.	90%	1	90%	71%
<b>Health/Disability Appeals:</b> Respond to assistant director and/or director level appeals within 15 business days.	90%	DNA	DNA	DNA

**Quality:** All three of the call center quality ratings were met this fiscal year.

- Maintain a call abandonment rate of 5 percent or less (met 12 of 12 months).
- Resolve 97 percent or more of questions during the first contact (met 12 of 12 months).
- Maintain a quality rating of 95 percent or higher (met 12 of 12 months).

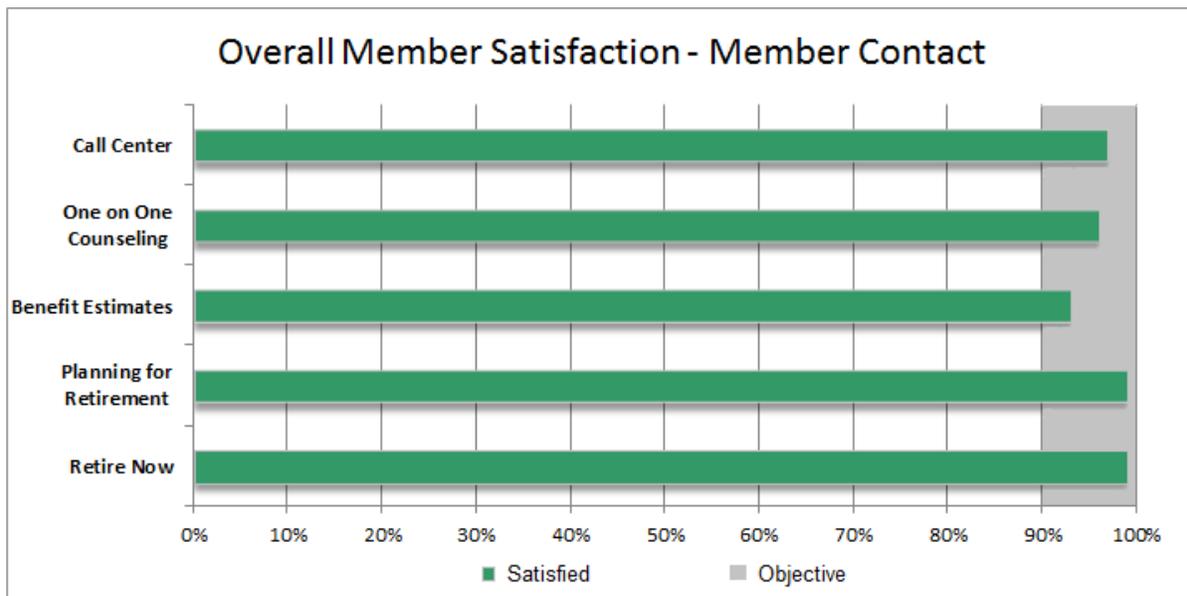
**Access to Communications and Counseling:** The ASRS provides a number of opportunities for members to learn about their ASRS benefits:

- One-on-one appointments: Pre-scheduled appointments are offered in the Phoenix and Tucson offices. Members are also permitted to walk in for service in the Phoenix and Tucson offices.
- Online one-on-one counseling: Remote counseling is available to members who live in Rural Arizona, and to those members who are not physically able to travel to an in-person session.
- In-person group counseling: The ASRS offers a number of group counseling sessions for members both online and in person at both the Phoenix and Tucson locations. The ASRS will

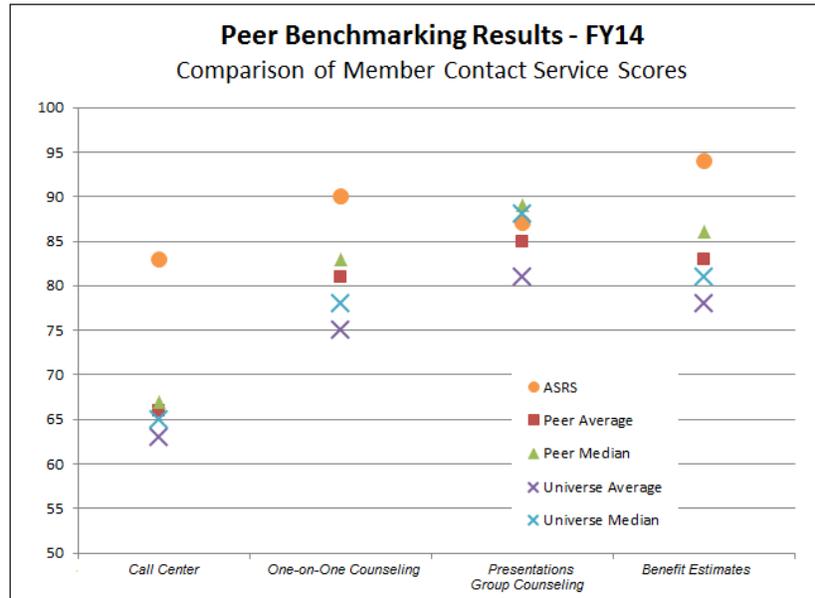
also travel to counties within Arizona if an employer makes a request and meets the minimum number of at least 20 attendees.

- Online group counseling (webinars): The ASRS also offers most of its group counseling sessions online, in webinar format.
- E-Learning and Video tutorials: The ASRS continues to add new topics to its video library for members to view at their convenience. A Guide to Pre-Retirement Services application was developed this year to provide members with information about all the different questions they may have or information they meet at different stages of their career.
- Public web site: The public website was enhanced this year to provide members with more information about ASRS benefits and services.
- E-newsletters: Members who have provided the ASRS with an email will receive a quarterly e-newsletter that informs them of important news regarding their ASRS benefit.
- Paper newsletters: The ASRS continues to send one paper newsletter (Financial Horizons) to its entire membership once a year. In addition, retirees receive a separate newsletter (Your Retirement) a few times a year that contains information specific to retirees.
- Targeted emails: The ASRS continues to send targeted emails to members on their birthday to remind them to check their ASRS account, new members who haven't enrolled, new members who haven't elected a beneficiary, etc.

**Member Satisfaction:** Satisfaction levels remain high for ASRS member contacts, with 90 percent or more of members rating that they were “very satisfied” or “satisfied” with the service they received in all 5 of the areas measured.



**Benchmarking:** Member contact areas, similar to member transactions, continue to compare favorably when measured against the CEM pension benefit administration benchmarking universe.



In 3 of the 4 categories measured, ASRS service levels are equal to or better than the peer median and the median of the universe of participants.

*Presentations and Group Counseling* – Our number dipped slightly in this category due to the ASRS no longer providing meetings outside of Phoenix or Tucson unless requested by employers, in order to save on travel expenses and to further shift the focus on member attendance via webinars.

#### 4.D. EMPLOYERS

OUTLOOK: **NEUTRAL TO POSITIVE**

**Performance measures:**

- a) Describe efforts that were conducted during the fiscal year to develop a staff and service model for employers.
- b) Document the content and number of employer communications made during the fiscal year.
- c) Document the different types of information available to employers to assist with compliance, as well as any new information being developed for employers.
- d) Document the types of self-service capabilities available to employers, as well as any initiatives underway that are expected to improve service to employers.

**Employer Service Delivery Research and Enhancement:** The ASRS has invested considerably in its member service model over the past decade, which has proven to be successful in providing high levels of service to members. Although many online capabilities for employers have been implemented over the past several years as part of the agency’s overall business re-engineering effort, there is a general consensus among Management that the employer service model at the ASRS could be improved.

As part of its Oracle Modernization effort, the agency examined how staff within the agency interacts with employers. The analysis found that:

- There are at least 6 different units within the agency that interact directly with employers on a daily basis, and a handful more that indirectly work with employers.
- The agency lacks a centralized employer contact list. As a result, each of the units maintains a separate sheet containing the employer representatives they work with on a regular basis.
- There is no centralized contact log where units can see the types of contact that have been made between the ASRS and an employer.
- Correspondence with employers is typically done via email or by letter; however, there is no centralized repository to store images of correspondence.
- The ASRS does not have a centralized number for employers to call. Instead, employers must maintain their own list of contacts at the ASRS.
- The ASRS lacks a systematic, proactive approach for supporting employer efforts to maintain compliance with ASRS rules, policies and procedures.

With the Oracle Modernization project, staff enhanced the employer demographic features within its POL system and began to build a foundation to address some of the technological issues that are present, including:

- Creating employer summary screens to provide users with the most commonly requested information for employers.
- Enhancing employer search and maintenance capabilities, including the ability to add new employers and reporting units, and adding audit details for employer information changes.
- Employers were given the capability to maintain their address on the secure website.
- An employer notes and contacts page was built to provide a place to store information regarding contacts between the ASRS and employers, and also internally between ASRS users about a specific employer issue.

**Employer Communications and Reference Material:** The Employer Relations Unit sent out three e-newsletters to employers this fiscal year. In addition, a number of targeted emails were sent to employers related to:

- GASB requirements
- Online applications for employers
- Employer conferences
- Contribution rates
- Legislation

The Employer Relations Unit also conducts a series of employer conferences each year throughout the state to brief employers on current issues. Last year approximately 50 percent of employers attended.

The employer portion of the ASRS public website was recently updated and will continue to evolve as the ASRS moves forward with more online programs. Currently, the employer site is organized according to topic and may include a general overview, Q & A, tutorial and guide. There are also various employer related forms, reference materials and statutes included in each chapter of the ASRS employer manual.

Lastly, approximately twenty employer related tutorials are under development and will be posted on the public website when complete. Topic specific webinars will also be developed in the near future.

**Online Services:** The following services are currently available to employers on the ASRS secure website:

- Secure email
- Online contribution reporting and electronic payment submission
- Online alternate contribution rate reporting and electronic payment submission
- Online enrollment, which includes web registration and beneficiary election
- Ending payroll verification (needed for most retirement and refund applications)
- Return to work smart forms
- Online meetings registration
- Check member eligibility

Currently, the ASRS is working to enhance its communication capabilities with employers by building a secure message system that is more robust than the current secure email tool and is integrated with the new employer notes application built during the Oracle Modernization effort.

#### **4.E. OTHER STAKEHOLDERS**

**OUTLOOK: NEUTRAL TO POSITIVE**

**Performance measure:**

Document communications sent to stakeholders during the fiscal year. Stakeholders include:

- Any group representing ASRS members
- Legislators and legislative staff
- Governor and governor’s office staff
- General public
- Media

External Affairs meet with members of legislative committees and bill sponsors to provide an overview of the ASRS and to discuss relevant legislation. Regular discussions also occur with legislative staff to discuss ASRS initiated bills, or non-ASRS bills that may impact the ASRS.

The ASRS, at the request of a policymaker, member group, or other stakeholder, will send a representative to provide general information about the ASRS or to discuss specific topics that have been requested.



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson  
Director*

## MEMORANDUM

**TO:** Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

**FROM:** Mr. Anthony Guarino, Deputy Director and Chief Operations Officer  
Mr. Dave King, Assistant Director, Member Services Division  
Ms. Sara Orozco, Strategic Planning Manager  
Mr. Jeremiah Scott, Sr. Strategic Planning Analyst

**DATE:** October 20, 2015

**RE:** **Agenda Item #5:** Presentation, Discussion and Appropriate Action Regarding the Current Performance and Future Strategic Priorities of Employer Services (A FY 2015 Strategic Topic)

### Purpose

To discuss the ASRS customer service model for employers, recent actions that have been taken to identify and address some of the challenges present, and current and future efforts that are planned to further improve service to employers.

### Recommendation

Information only, no action required.

### Background

The ASRS has invested considerably in its member service model over the past decade, which has proved to be successful in providing high levels of service to members. However, there is a general consensus among Management that additional time and attention should be paid to employer services to ensure the ASRS is meeting its strategic priority to provide outstanding service to its employer partners.

When conducting analysis on this topic earlier this year, staff found there was a lack of available data to measure not only customer service levels, but also employer satisfaction with the ASRS and its services, support, technology and training.

To help fill in the gaps, the ASRS began a number of efforts:

- We identified all the units in the agency that were providing various services to employers, what tools they were using, and what challenges were present.
- As part of the Oracle Modernization effort we began to identify and address some of the data and technology gaps that were present and lay a foundation for future enhancements.
- We engaged a third party entity, Behavior Research Center (BRC) to conduct a survey of employers to get feedback on current ASRS programs and services.

### EMPLOYER CUSTOMER SERVICE MODEL – PREVIOUS MODEL

Previously, the ASRS provided service to employers using seven different units within three Divisions:

- **Financial Services Division** (five business units): FSD works with employers to process the various data received from employers, including: enrollment data, member/employer contributions, ending payroll verifications, return to work applications, GASB compliance, and health benefit supplement payments.
- **External Affairs Division** (one business unit): The employer relations team within EAD has responsibility for interviewing prospective employers and for developing communications, educational, and training materials to assist employers.
- **Internal Audit Division** (one business unit): IAD has three employer auditors dedicated to reviewing employer compliance with ASRS statutes.

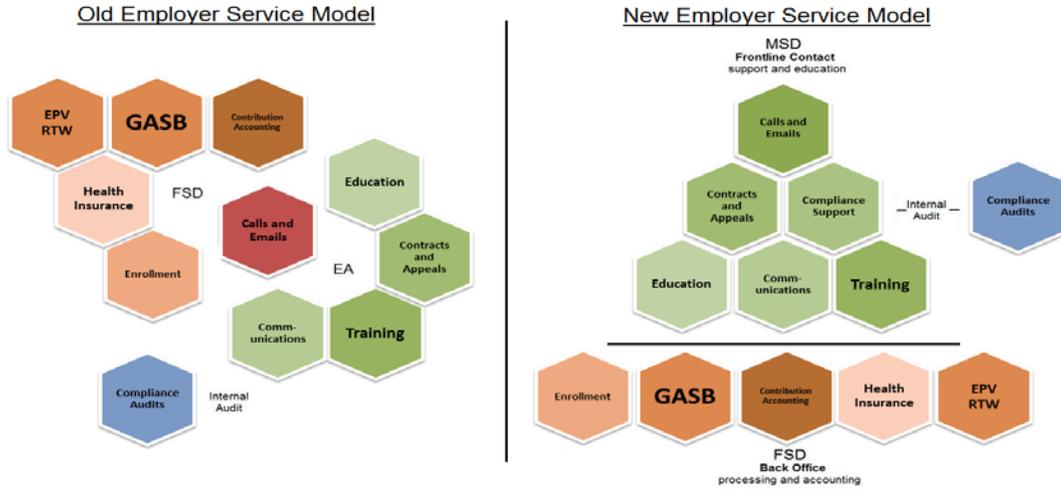
During the Oracle Modernization effort, and in separate interviews with staff, a number of challenges were identified with the current employer customer service model including:

- No centralized set of customer service objectives and no way to regularly measure performance against those objectives.
- Lack of clarity for who was responsible for answering calls and emails. All of the units receive calls but none had primary responsibility for this function.
- Lack of a centralized employer contact list. Most units were maintaining their own contact list separate and apart from other business units.
- Lack of a centralized contact repository to store information about calls and emails (subject, resolution, etc.), or an imaging repository containing documents from employers.
- Lack of a formal training program for providing outstanding customer service to employers. Units assigned subject matter experts to handle contacts in each unit, but did not provide training on customer service or knowledge of topics outside that particular business unit.
- No way to ascertain employer compliance outside of formal employer audits, which only cover between eight and 20 employers per year.

### **IMMEDIATE ACTION TAKEN TO ADDRESS NEEDS**

In light of this analysis, executive and senior management made a decision to reorganize the service delivery structure for employers in a manner similar to the successful model in place for members. As a result, responsibility for employer relations was moved from the External Affairs Division to the Member Services Division. The primary goals for the new model include a desire to:

- Increase the agency's level of proactive compliance support to employers by increasing the amount of time devoted to employer education, training, and communication.
- Improve service by consolidating all employer phone calls and emails/messages through a single entry point, with training and quality assurance to ensure accountability.
- Increase data sharing between ASRS business units through technology enhancements.
- Increase the agency's ability to measure customer service.
- Increase the agency's ability to identify potential training issues with an employer before an audit is conducted.

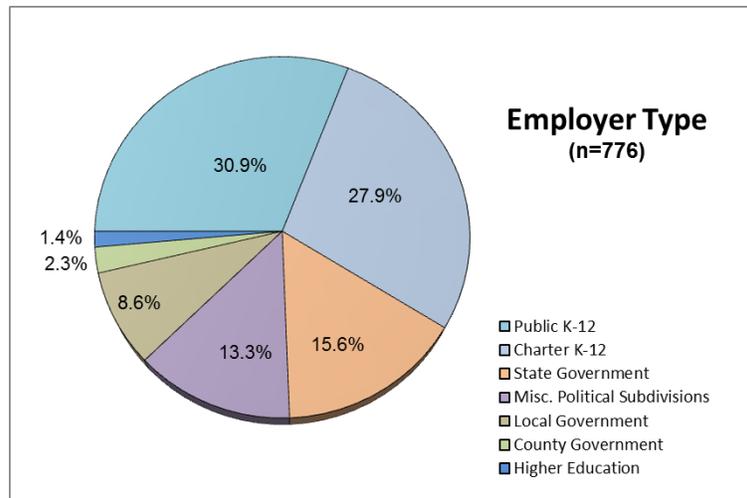


**2015 EMPLOYER SURVEY RESULTS**

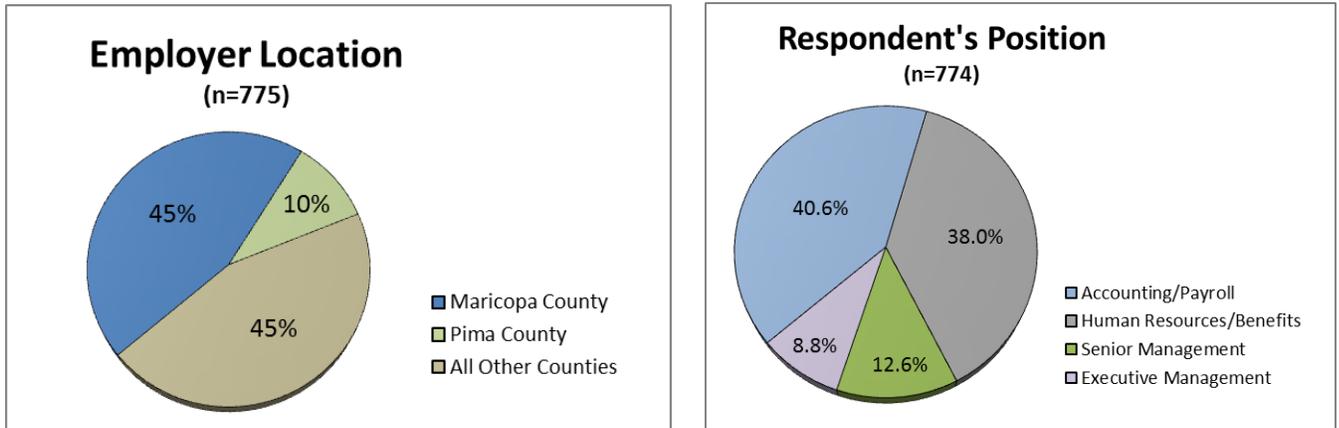
In May 2015, the ASRS utilized the services of Behavior Research Center to conduct a survey of employers. The purpose of the survey was to gather feedback regarding:

- Employer perceptions of the ASRS as a whole
- The value of ASRS benefit programs
- The quality of service provided to employers by the ASRS
- Online applications provided to employers
- Familiarity with ASRS statutes and rules
- Communication and training preferences

**Participation:** 776 representatives responded to the survey, across all ASRS employer groups

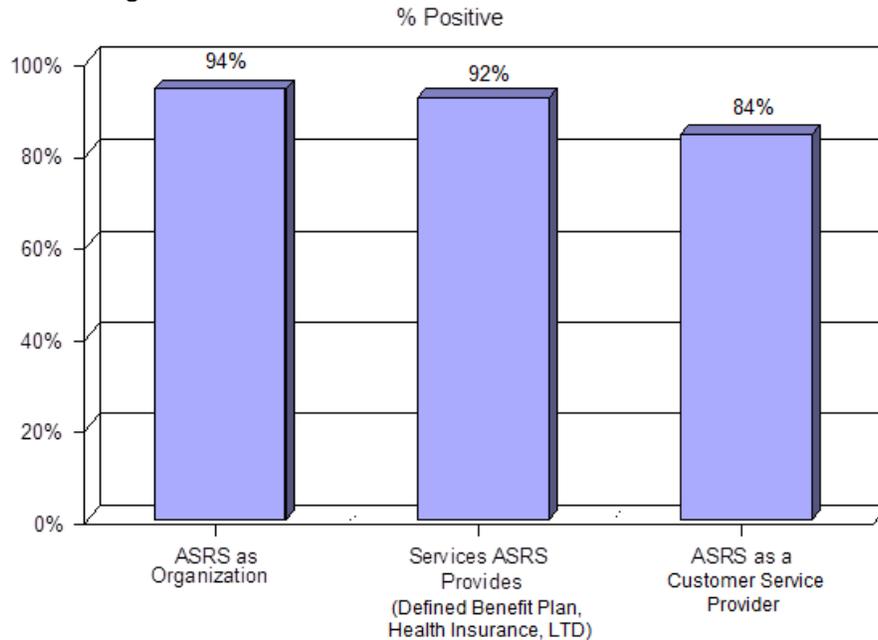


Responses were received from employers in all areas of the state and from a varying number of positions with the organization:



**Overall Opinion of the ASRS:** Better than nine out of ten respondents gave high ratings (excellent/good) for the ASRS as a whole, and the services it provides.

A lower number (84%) rated the ASRS positively as a customer service provider, with 14% rating it as neutral and 1% as negative.



**Question:** What can the ASRS do to improve its service or value to your organization?

When employers were asked this question, 456 respondents answered, and provided the following feedback:

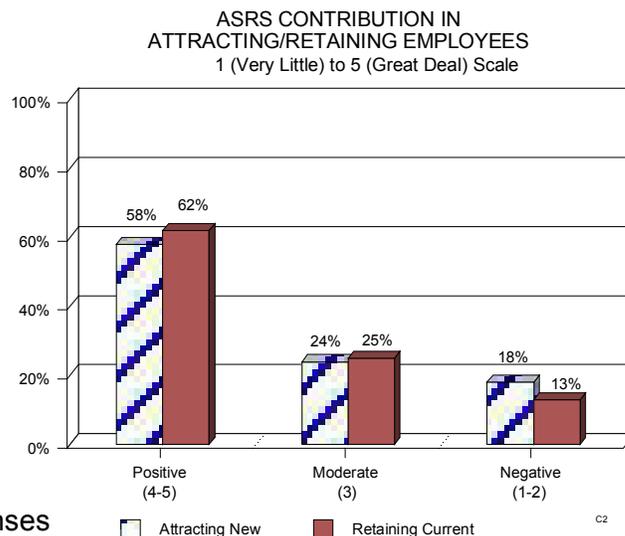
- **33%** indicated **no improvement was needed**.
- **18%** requested the ASRS **improve the customer service provided** to the employers. They asked for more availability of ASRS employees to answer questions, quicker responses, more professional and friendly customer service and lower hold times.

- **13%** would like the ASRS to **continue improving the website**, to make the employer site more user friendly, with more webinars and helpful compliance information online.
- **10%** asked that we **increase the amount of employer training**, including meetings and conferences.
- **9%** want **more information** on contribution rates, upcoming changes in policies and rules, and more information on what needs to be done in the future.

Each of these suggestions from employers aligns with the ASRS' own self-assessment, as well as its current direction.

Next, employers were asked to rate the value of each ASRS benefit and how well the ASRS benefit helps attract and retain employees in public service, which is contained in its statutory mission.

**Value of ASRS Benefit Programs:** When employers were asked how well the ASRS contributes to a total compensation package that helps attract and/or retain employees in public service, more than half rated the ASRS strongly.



Although a relatively small number of overall responses (10 – 15%) were negative, a more concerning figure is the 25% or so who find the ASRS to be moderately helpful as an employment tool.

In the future, the ASRS plans to ask this question in various member surveys in order to compare member and employer perceptions.

As a follow up question, employers were asked to rate the value of each of the ASRS benefit programs as an employment/retention tool. The Defined Benefit Plan and Long Term Disability plan rated the highest, while the Health Insurance Premium Benefit and the ASRS Retiree Group Health Insurance program were found to be less valuable to employers.

**Question:** *How would you rate the value of the following individual ASRS benefit programs in regards to contributing to a total compensation package that helps your organization attract and/or retain employees in public service?*

	Very Low	Low	Fair	High	Very High	No Opinion	TOTAL HIGH <sup>1</sup>
The ASRS Defined Benefit Plan Lifetime Benefit	1%	1%	16%	30%	35%	17%	65%
The ASRS Long Term Disability Plan (LTD)	2	4	24	35	19	16	54
The ASRS Health Insurance Premium Benefit Supplement	4	6	24	23	18	25	41
The ASRS Retiree Group Health Insurance	2	10	28	22	13	25	35

<sup>1</sup>High + Very High

**Communication:** Although employer feedback about ASRS communications was generally good, there is still room for improvement across the board.

In the future we will look at how we can be more proactive with our communications, while increasing availability and improving our quality and efficiency.

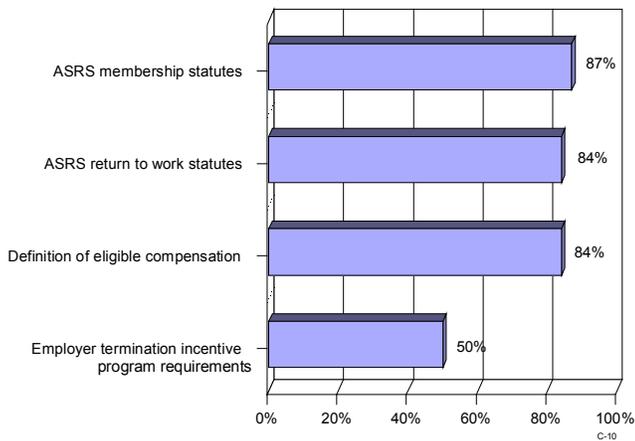
In addition, most employers (87%) indicated they received the right amount of communication, while 11% indicated they received too little.

Although most respondents indicated a high level of familiarity with ASRS statutes and programs, when asked whether they would like to receive more, less, or the same amount of information about certain topics, the most commonly requested items for increased communication included items related to employer compliance such as policy and legislative changes and eligibility requirements.

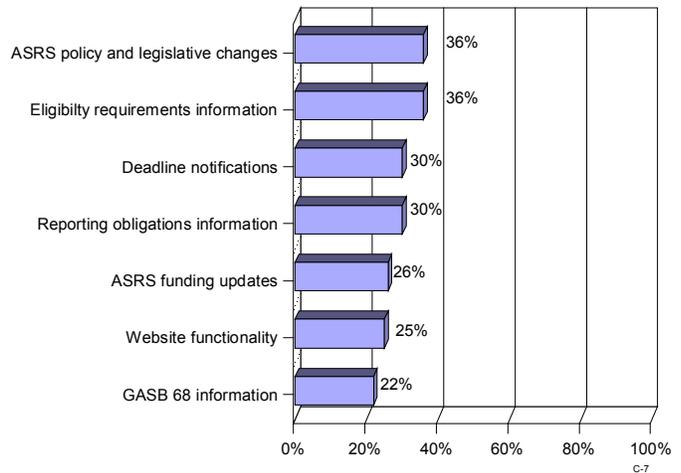
COMMUNICATIONS WITH ASRS  
 % Negative (Very Poor/Poor/Fair)



FAMILIARITY WITH ASRS  
 STATUTES/PROGRAMS  
 % Familiar



INFORMATION VOLUME PREFERENCES  
 % Like More

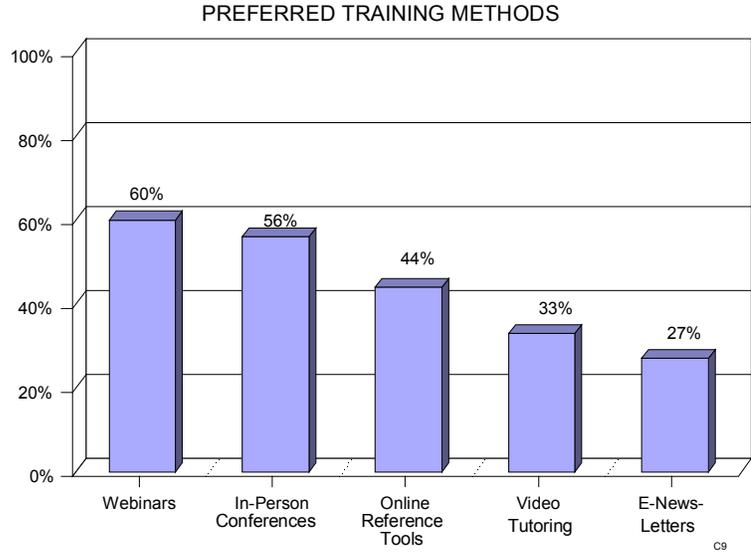


When asked to indicate their preferred method of communication, the highest ratings went to email (77%), followed by phone (57%) and the website (42%).

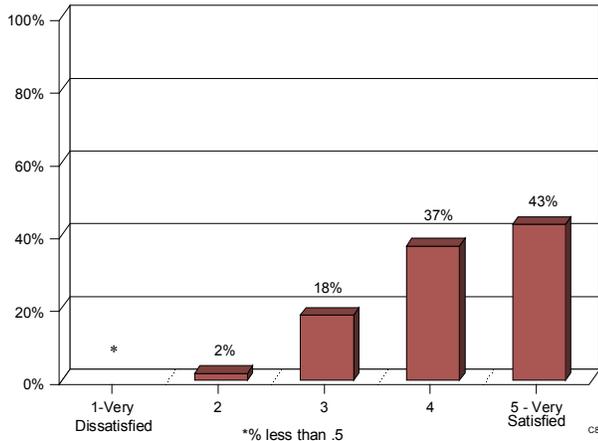
These ratings support the ASRS' recent emphasis on improving the secure messaging capabilities with employers and also the movement toward a central point of telephone contact.

**Training:** When employers were asked about their training preferences, the highest ratings went to webinar training, with in-person training a close second.

Although the ASRS has begun to utilize webinars for member education, it has not yet made a decision to develop webinar education tools for employers. These survey results indicate the ASRS may want to consider moving in this direction in the future.



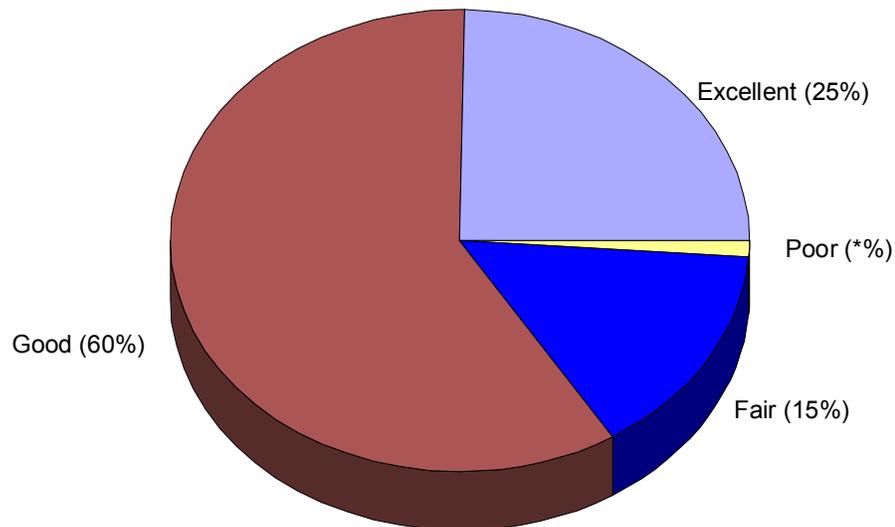
SATISFACTION WITH ASRS'S SHIFT TO MORE ONLINE FUNCTIONALITY  
 1 (Very Dissatisfied) to 5 (Very Satisfied) Scale



**Website:** When asked about the ASRS' recent movement to online functionality, employers responded positively to the ASRS' strategic direction.

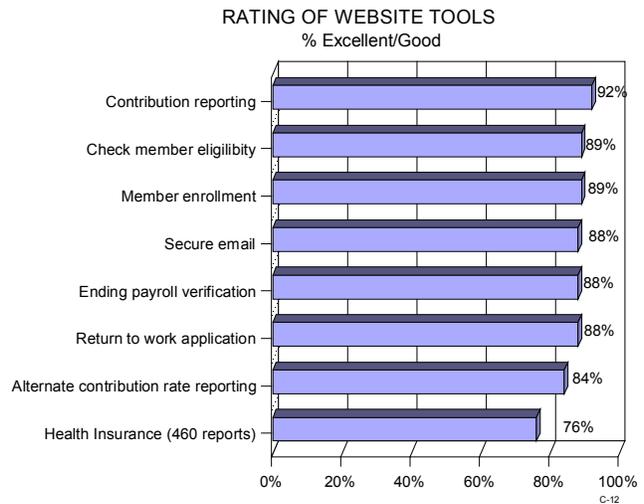
Employers also gave high marks when asked to evaluate the ASRS website.

EVALUATION OF ASRS WEBSITE  
 (Among Visitors)



\* Indicates % less than .5

When asked about the specific tools offered on the website, nearly all the tools received high marks. The employer health insurance application, which received the lowest marks, is anticipated to be re-engineered over several years as part of the agency's five-year technology plan.



### **EMPLOYER SERVICE MODEL – CURRENT AND FUTURE EFFORTS**

Planned future improvements to the employer service model resulting from the re-organization, which are in direct response to the voice of the employers include:

- Implementing a new secure messaging system for employers (Spring 2016) that will tie in directly with the new employer demographics module, has more robust features than the current secure email system, and will provide the ASRS with more information about performance.
- Creating a central point of contact. When the secure message system goes live in early 2016, the Member Advisory Center will begin to build an employer services call center team specialized in employer needs. When implemented, employer calls will be routed and handled through the main ASRS phone number, similar to what members experience today. The same team will handle all messages and calls.
- By routing calls and messages through a single team, the employer processing units in FSD will be able to focus on processing incoming contributions and forms.
- Increased training, communication, and education. The employer relations team will move away from serving as generalists who perform any function for an employer and will focus their time and attention on proactive training, conferences and webinars targeted to employers.
- Implement new ASRS contribution reporting file format and increase our level of proactive data analysis with an eye toward more compliance support and training for employers.
- Identify and implement further improvements to online processes and incorporating opportunities to provide employers with more proactive data analysis wherever practicable.

Mehrzad Khorsandi  
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E-mail: [mehr1900@live.com](mailto:mehr1900@live.com)

September 2, 2015

Re: Mehrzad Khorsandi v. Arizona State Retirement System  
OAH Case No. 15F-013-ARB

**Motion for Reconsideration Before the Board**

Dear ASRS rep.

Please let this let be as a motion for reconsideration to the Board which was to be sent to ASRS office within 30 days of receiving your letter of August 28, 2015.

My Motion for reconsideration is because of the fact that ASRS presentation to the Administrative Law Judge and later in front of the ASRS Board was mostly based on false information. The most false information of all is the fact they ASRS insist on the fact that I have bought so many of Texas A& M years of services and that the whole 8 years of service were not pulled along with the one year of 1998-99 service in Maricopa Community Colleges by your own representative, Amy Scollet. Well, before I go to court, in front of Administrative Law Judge, I have requested from Texas A&M University to verify this fact for me via a letter, but unfortunately because the issue was so old, they took long time processing it. So I went to court without any solid proof in my hands. Until recently, that Texas A& M located my paperwork and was able to respond back to me..

Now I have attached the letter from Texas A&M that indicates why I was not able to purchase any of the eight years of my services, at their university. With this letter I am re-emphasizing the fact that I never decided not to purchase the eight years of Texas A&M and the one year of 1998-99 of Maricopa Community Colleges. Also I am emphasizing that most of the ASRS argument about the purchasing of those 8 years were based on false information, therefore this makes the ruling of the Administrative Law Judge based of false information presented to him also.

I have filed to purchase the year 1998-99, as contribution not withheld (CNW) in timely manner but my chance was taken away from me because ASRS went computerized and did not recorded all my papers in their computer system. So when I came back to them latter, they did not have any of my papers so I had to send them those information and they started interpreting the papers that I sent them as they wished to, without any consideration for the information I was giving them. Now this letter will prove what I was telling them all this time was correct.

Therefore, I am asking for another chance, a reconsideration from ASRS Board, where I could present my case clearly, as they really happened. Hopefully, ASRS Board will hear me and rule a fair decision, which will allow me one of the following:

1. Purchase the year 1998-99 as CNW since I have filed for it in timely manner in 2001, or
2. Purchase the year 1998-99 as regular Purchas of other years of services, based on the offer given to me in 2001 and it got pulled by your own representative, Amy Scollet, for the amount of \$7448.72 dollars.

I thank you for your time and consideration and looking forward to hearing from you.

Sincerely,  
Mehrzaad Khorsandi

# TEXAS A&M ENGINEERING

Dwight Look College of Engineering • Texas Engineering Experiment Station • Texas Engineering Extension Service • Texas Transportation Institute

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## Engineering Budgets and Payroll

September 29, 2015

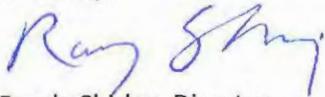
TO WHOM IT MAY CONCERN:

RE: Mehrzad Khorsandi

This is to verify that Ms. Mehrzad Khorsandi was employed by the Texas A&M Engineering Experiment Station from September 1, 1990 through August 31, 1998. Ms. Khorsandi was a participant in the Optional Retirement Program which is a 403(b) plan and her vendor was TIAA-CREF. The Optional Retirement Program has no provision for purchasing back years of service with the Texas A&M University System.

If you have any questions, please contact me at 979-458-7493 or email me at [r-shirley1@tamu.edu](mailto:r-shirley1@tamu.edu).

Sincerely,



Randy Shirley, Director  
Engineering Payroll Office  
Texas A&M Engineering Experiment Station

---

*mailing address* 3132 TAMU  
College Station, TX 77843-3132

*delivery address* 1470 William D. Fitch  
College Station, TX 77845-9394

THE TEXAS A&M UNIVERSITY SYSTEM

Tel. 979.458.7493  
Fax. 979.458.7490



# ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO Box 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000  
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TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778  
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

*Paul Matson*  
Director

## **ASRS RESPONSE TO MEHRZAD KHORSANDI'S MOTION FOR RECONSIDERATION**

**TO:** Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

**FROM:** Mr. Paul Matson, Director  
Ms. Jothi Beljan, Assistant Attorney General

**DATE:** October 16, 2015

**RE:** **Agenda Item #6:** Appropriate Action Regarding Ms. Mehrzad Khorsandi's Motion for Review and Reconsideration of a Final Decision

### **Purpose**

To consider Ms. Mehrzad Khorsandi's request to the ASRS Board for Review and Reconsideration of its decision denying her request to purchase her employment from August 1998 to May 1999 with Maricopa County Community College District as a Contributions Not Withheld (CNW) service pursuant to A.R.S. § 38-738.

### **Applicable Law**

The ASRS denied Ms. Khorsandi's request in October 2014 to purchase her August 1998 to May 1999 employment as a CNW because 1) A.R.S. § 38-738(C) and A.A.C. R2-8-702(A) limits purchase of eligible verified service to service that occurred less than or equal to fifteen (15) years before the date the initiator of the request provides the ASRS with credible evidence of eligibility and 2) Ms. Khorsandi failed to provide credible evidence to support her request for correction of salary history and service credit as required by A.R.S. § 38-738(B)(7).

### **Facts of the Case**

- A. Ms. Khorsandi contacted the ASRS in September 2001 to purchase her employment from August 1998 to May 1999 with Maricopa County Community College District as Other Public Service pursuant to A.R.S. § 38-743.
- B. The ASRS processed Ms. Khorsandi's request and issued a service purchase invoice number 240150 dated January 7, 2002, in the amount of \$7,448.72. The due date for payment stated on the invoice was February 6, 2002.
- C. The ASRS did not receive payment from Ms. Khorsandi by the due date February 6, 2002.
- D. In October 2014, Ms. Khorsandi contacted the ASRS to purchase her employment from August 1998 to May 1999 with Maricopa County Community College District as a CNW purchase pursuant to A.R.S. § 38-738.
- E. The ASRS rejected Ms. Khorsandi's request on November 24, 2014, because A.R.S. § 38-738(C) and A.A.C. R2-8-702(A) limits purchase of eligible verified service to service that occurred less than or equal to fifteen years before the date the initiator of the request provides the ASRS with credible evidence of eligibility. The request in October 2014 was

placed more than fifteen years than the employment in August 1998 to May 1999 that Ms. Khorsandi was seeking to purchase, and she failed to provide credible evidence for the request for correction of salary history and service credit.

- F. Ms. Khorsandi may purchase her employment from August 1998 to May 1999 with Maricopa County Community College District as Other Public Service pursuant to A.R.S. § 38-743. See A.R.S. § 38-738(D). The cost to Ms. Khorsandi of purchasing the employment as Other Public Service is approximately \$37,000 to \$39,000. The cost to Ms. Khorsandi of purchasing the employment as CNW service is approximately \$2,000, and the cost to her employer, Maricopa County Community College District, is approximately \$11,700.
- G. In his Recommended Decision dated June 3, 2015, Administrative Law Judge Michael Douglas upheld the ASRS Director's determination and denied Ms. Mehrzad Khorsandi's appeal.
- H. At the August 28, 2015 ASRS Board meeting, the ASRS Board accepted the Administrative Law Judge's Decision with technical legal corrections.

### **Request for Review**

Ms. Khorsandi's correspondence dated September 2, 2015 states that she is requesting a review and reconsideration by the ASRS Board of its decision to accept the Administrative Law Judge's decision.

Arizona Administrative Code R2-8-405(C) entitled "Rehearing: Review of a Final Decision" states the grounds for which a rehearing may be granted. The Board may grant a rehearing or review of a decision for any of the following causes if they materially affect a member's rights:

1. Irregularity in the administrative proceedings of the agency or the hearing officer, or any order or abuse of discretion that deprives the moving party of a fair hearing;
2. Misconduct of the Board, the hearing officer, or the prevailing party;
3. Accident or surprise that could not have been prevented by ordinary prudence;
4. Newly discovered material evidence that could not with reasonable diligence have been discovered and produced at the original hearing;
5. Excessive or insufficient penalties;
6. Error in the admission or rejection of evidence or other errors of law occurring at the administrative hearing; or
7. That the decision is not justified by the evidence or is contrary to law.

Ms. Khorsandi's correspondence states that she is filing her motion based on an assertion that false information was provided by the ASRS at the administrative hearing. She asserts that the ASRS incorrectly represented that Ms. Khorsandi purchased many years of her Texas A&M employment.

The ASRS staff's perspective is as follows:

First, Ms. Khorsandi has not stated one of the grounds for granting a Motion for Reconsideration or Review in A.A.C. R2-8-405(C).

Second, it is factually incorrect that the ASRS misrepresented what years Ms. Khorsandi purchased. The ASRS provided a demonstrative exhibit at the hearing, ASRS Exhibit A

attached to this Response, which is a chart that shows Ms. Khorsandi's total ASRS service credit by fiscal year including both earned service and purchased service. The ASRS obtained the information for the chart directly from the ASRS records on Ms. Khorsandi's completed and pending service purchase transactions with the ASRS. ASRS Exhibit A was intended to be a visual summary for the Administrative Law Judge. The exhibit and ASRS testimony on Ms. Khorsandi's service credit are not determinative on the issue of her appeal.

Third, Ms. Khorsandi's other public service purchase of Texas A&M University employment pursuant to A.R.S. § 38-743 is completely irrelevant to the issue of this appeal, her request to purchase her employment from August 1998 to May 1999 with Maricopa County Community College District as a CNW service pursuant to A.R.S. § 38-738. Prior to Ms. Khorsandi's current Motion, Ms. Khorsandi has not raised any issue of her Texas A&M University employment or related ASRS service purchase of that employment at any point in this appeal process.

Fourth, although irrelevant to this appeal, Ms. Khorsandi has 8 years of employment total at Texas A&M University and is currently purchasing 4.25 years with the ASRS via a payroll deduction agreement. The Texas A&M University letter dated September 29, 2015, attached to Ms. Khorsandi's Motion simply states that Ms. Khorsandi is ineligible to purchase her Optional Retirement Program participation years in the Texas A&M University System retirement plan. The statements in the letter have no consequence on her ability to purchase her Texas A&M University public employment in the ASRS as other public service employment pursuant to A.R.S. § 38-743. Furthermore, if Ms. Khorsandi infers the statements in the September 29, 2015 letter from Texas A&M University prevent her from purchasing her Texas A&M University employment in the ASRS, she has already taken actions inconsistent with that belief by purchasing 4.25 years of that employment in the ASRS.

#### **Board Options**

Option 1: The Board may grant Ms. Khorsandi's request for review. The Board may review Ms. Khorsandi's case at the October 30, 2015 Board meeting or at a future ASRS Board meeting. If the Board grants such a review, the Board may then a) overturn its prior decision denying her request to purchase her employment from August 1998 to May 1999 with Maricopa County Community College District as CNW service pursuant to A.R.S. § 38-738 or b) uphold its prior decision.

Option 2: The Board may grant Ms. Khorsandi request for review and grant a rehearing with the Arizona Office of Administrative Hearings. If the Board grants a rehearing with the Office of Administrative Hearings (OAH) and OAH agrees to conduct a rehearing, the Board may accept, reject or modify the Administrative Law Judge's decision.

Option 3: The Board may deny Ms. Khorsandi's request for review.

#### **ASRS Recommended Motion**

The Board moves to deny Ms. Khorsandi's request for review and reconsideration.

Mehrzad Khorsandi Service Credit:

Contributed Service, Other Public Service Purchased, Contributions Not Withheld Service, & Service Not Yet Purchased

Fiscal Year	Months												Employer	Service Credit
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
1987							X	X	X	X	X		Delgado Community College	.56 yrs
1988		X	X	X	X	X	X	X	X	X			Delgado Community College	1.00 yr
1989		X	X	X	X	X	X	X	X				Delgado Community College	.89 yrs
1990		X	X	X	X	X	X	X	X	X			McNeese State University	1.00 yr
1991		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1992		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1993		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1994		X	X	X	X	X	X	X	X	X			Texas A&M University	.75 yrs/.25 yrs
1995		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1996		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1997		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1998		X	X	X	X	X	X	X	X	X			Texas A&M University	1.00 yr
1999		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2000		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	.33 yrs/.67 yrs
2001		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2002		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2003		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2004		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2005		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2006		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2007		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2008		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2009		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2010		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2011		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2012		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2013		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2014		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr
2015		X	X	X	X	X	X	X	X	X			Maricopa Co Community College	1.00 yr

Legend - Service type by color	
Contributed Service	
Other Public Service - Purchased	
Contributions Not Withheld	
Other Public Service - Not Purchased	
Leave of Absence - Requested but not Approved	

**NOTE -** Member's employer with the ASRS and her employers outside of Arizona are all educational employers. Meaning service credit for 1 full year is typically earned from August through April each year.

<b>Total Years of Service - Contributed, Purchased &amp; in Process of Purchasing</b>	<b>19.25 years</b>
<b>Total Years of Service - Not Purchased</b>	<b>8.20 years</b>
<b>Total Possible Years of Service</b>	<b>27.45 years</b>
<b>Total Possible Years of Service if LOA Approved</b>	<b>28.45 years</b>



1 5. ASRS rejected Appellant's request on November 24, 2014, because the October  
2 2014 request was made more than fifteen (15) years after the employment from August  
3 1998, to May 1999, with the MCCCCD that Appellant was seeking to purchase and  
4 because Appellant had failed to provide credible evidence to support her request for  
5 correction of salary history and service credit.

6 6. On December 2, 2014, Appellant disagreed with the rejection and filed an "Appeal  
7 Letter" with the Director of ASRS.<sup>2</sup>

8 7. On December 12, 2014, the Assistant Director of ASRS's Member Services Division  
9 issued a letter again rejecting Appellant's request. The letter provided, in relevant part,  
10 as follows:

11 As part of your appeal, we researched your account to determine  
12 if you had inquired into purchasing the 1998-1999 time with  
13 MCCCCD as [Contributions Not Withheld ("CNW")] back in 2001.  
14 Our research shows that while you did inquire into purchasing this  
15 service in September 2001, you were looking to purchase the  
16 service as [OPS Non Participatory ("OPSNP")], which confirmed  
17 in the affidavit you attached to your appeal as well as the copy of  
18 [the] affidavit the ASRS has in your records. During this  
19 timeframe, you also inquired about purchasing time from Texas  
20 A&M, Delgado Community College, and McNeese State  
21 University and received cost invoices for each of these requests.  
22 You then asked the ASRS to send you a Payroll Deduction  
23 Authorization (PDA) of all of the combined public service credit  
24 you were eligible for, which included the 1.00 year of service from  
25 MCCCCD. However, you elected not to purchase all of the service  
26 you were eligible [for] and instead bought .48 years from Texas  
27 A&M using a direct rollover and set up a PDA for 3.78 years from  
28 Texas A&M, which you are currently paying for.

29 Based on this information, we cannot agree with your assertion  
30 that you did not receive the cost invoice for the 1.00 year from  
MCCCCD for the 1998-1999 time period and further, we show that  
you only ever represented to ASRS that this service was OPSNP,  
not CNW. It was not until your recent conversations with ASRS  
that you claimed this service was potentially CNW. Any  
discussion of CNW in your account prior to September 29, 2014,  
was in reference to the .33 years of CNW you are eligible to  
purchase from MCCCCD during fiscal year 2000. While it is

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<sup>2</sup> See Exhibit H (12/02/14 Letter).

1 possible that your employer made an error and did not withhold  
2 contributions from your wages from August 1998 through May  
3 1999 when they should have, you are not eligible to purchase this  
4 service as CNW as the time in question happened more than 15  
5 years ago.

6 Even though you are not eligible to purchase the MCCCCD 1998-  
7 1999 service as CNW, you are still eligible to purchase up to .74  
8 years as OPSNP to add to your account. A.R.S. § 38-743(A),  
9 revised in the 2011 legislative session, limits a member in  
10 purchasing, "up to sixty months of credited service for this prior  
11 employment." Due to this limitation, because you have already  
12 purchased 4.26 years of public service between your rollover and  
13 your active PDA contract, you are currently only eligible to  
14 purchase the .74 years with MCCCCD.

15 14. On February 17, 2015, Appellant filed a Formal Appeal Letter with ASRS.<sup>3</sup>

16 15. ASRS referred the matter to the Office of Administrative Hearings, an  
17 independent agency, for an evidentiary hearing, which was held on May 5, 2015.

18 16. ASRS presented the testimony of its employee, Jenna Orozco, Management  
19 Analyst for ASRS.

#### 20 **Additional Hearing Evidence**

21 17. Ms. Khorsandi testified that she had 8 years of service at Texas A&M University  
22 that she requested to purchase. She stated that she also had teaching positions at  
23 various other universities and community colleges that she also requested to purchase,  
24 including that she worked as an adjunct professor from August 1998, to May 1999, with  
25 MCCCCD. Appellant said, "Yes, I definitely requested that to be purchased."<sup>4</sup>

26 18. Ms. Khorsandi testified that over the years since August 1998, to May 1999, she  
27 had a year of sabbatical and a year of leave of absence and that during that time, she  
28 went through a marriage and divorce. At some point she checked to "see what is  
29 going on with my retirement." Appellant stated that she found out that ASRS had not  
30 given her the year that on contribution not withheld and was maintaining that she did  
not qualify for it anymore because 15 years had passed. Ms. Khorsandi said that she

<sup>3</sup> See Exhibit J (2/17/15 Appeal).

<sup>4</sup> See 5/11/15 Hearing Transcript (Page 14, l 10.)

1 had records of the information that she had submitted, including the paycheck stub that she  
2 received from MCCCCD for the time period at issue.

3 19. Ms. Khorsandi testified that she had already applied for year of contribution not  
4 withheld (August 1998 to May 1999) in a timely manner in September 2001, and that the  
5 expiration of the 15 year time limit should not apply to her.

6 20. Jenna Orozco (hereinafter "Ms. Orozco"), a Member Advocate for ASRS,  
7 testified that service purchase is an option for members to be able to consolidate their  
8 years of public service. Ms. Orozco explained that there are two advantages of  
9 consolidating public service. The first advantage is reaching a graded multiplier earlier,  
10 thereby increasing benefits. The second advantage is that it enables members to retire  
11 earlier.

12 21. Ms. Orozco testified that the cost of purchasing service for prior public  
13 employment as articulated in A.R.S. § 38-743 is based on an actual present value,  
14 which takes into account the member's current age, years of service, and salary at the  
15 time of the request. It uses it in a formula to determine, based off those factors, the  
16 monies that ASRS must have on hand today to pay an increased monthly benefit that  
17 additional service will provide to the ASRS member in the future.

18 22. Ms. Orozco testified that under the Contributions Not Withheld statute, A.R.S. §  
19 38-738, if either a member or an employer comes to the ASRS and states that for a  
20 specific period of time an employee should have been eligible for ASRS membership  
21 and the employers should have submitted contributions for the member, a correcting  
22 mechanism allows for that service to be added into the account for the member. Ms.  
23 Orozco stated that the cost to the employee is simply the contributions that would have  
24 been made during that timeframe based on his or her salary during the period of  
25 employment. The cost for the employer is those same contributions, but also interest  
26 that has accrued on those contributions from the date of the employment to the date  
27 that the member requested to purchase the service.

28 23. Ms. Orozco testified that for ASRS to issue a Contributions Not Withheld invoice,  
29 ASRS must receive sufficient proof from the member that the time period in question is, in  
30 fact, a time during which an employer made an error and should have submitted

1 contributions to the ASRS for the member. Such proof would require either written  
2 verification from the employer that supports that information, along with payroll records,  
3 verification of hours worked, the intent of employment, the member's position, and whether  
4 that position was covered under Section 218 of the Social Security Agreement.

5 24. Ms. Orozco testified that if there was inadequate documentation or if the 15-year  
6 statute of limitations has passed, an ASRS member could still purchase that timeframe as  
7 other public service under the Contributions Not Withheld statute.

8 25. Ms. Orozco testified that the ASRS Other Public Service Affidavit that was submitted  
9 by Ms. Khorsandi during the same timeframe in which she submitted Other Public Service  
10 Affidavits.<sup>5</sup> Ms. Orozco said that the Appellant was requesting to purchase 9 months during  
11 fiscal years 1998 and 1999, which does equate to one year of service because Appellant  
12 was a school employee. Ms. Orozco stated that the ASRS awards one year of service for  
13 school employees who do not work over the summer.

14 26. Ms. Orozco testified that the documents that Appellant submitted, including check  
15 stubs, were too ambiguous to prove that she should be able to purchase service under the  
16 Contributions Not Withheld statute. The work load hours that is projected for each 2-week  
17 period lists as unusual, there are some periods that Appellant worked 40 hours a week,  
18 some that she worked 80, others that she worked over 200 hours a week. The actual salary  
19 awarded for that timeframe does not seem to equate to the hours worked. Ms. Orozco  
20 testified that because Appellant's evidence was ambiguous, it did not provide clear  
21 evidence of Contributions Not Withheld.

22 27. Ms. Orozco testified that ASRS reviewed Appellant's application and determined  
23 that because the timeframe was more than 15 years ago, Appellant was only eligible to  
24 purchase that time as Other Public Service Non-Participatory. Ms. Orozco stated that  
25 ASRS research showed that while Appellant did inquire into purchasing the service in  
26 September of 2001, the documentation indicated she was looking to purchase this  
27 service as Other Public Service, which was confirmed in the affidavit that she attached  
28 to her appeal, as well as the copy of the affidavit that ASRS had in its records.  
29 Appellant also inquired to purchase other multiple periods of time as Other Public

30 \_\_\_\_\_  
<sup>5</sup> See Exhibit E (Other Public Service Affidavit).

1 Service. Appellant asked the ASRS to send her a Payroll Reduction Authorization  
2 Contact for all the combined public service credit for which she was eligible, which  
3 included the 1.00 year of service from MCCCCD.

4 28. Ms. Orozco said that ASRS denied Appellant's appeal because it was outside the  
5 15-year timeframe, that 13 years had passed since Appellant had initiated her request, and  
6 that Appellant had initially indicated that the service was to be purchased as Other Public  
7 Service.

8 29. Ms. Orozco's testimony is found to be credible

### 9 **CONCLUSIONS OF LAW**

10 1. Ms. Khorsandi bears the burden of proof and, as such, must establish by a  
11 preponderance of the evidence that ASRS improperly denied her ability to purchase  
12 her employment from August 1998 to May 1999 with the Maricopa County Community  
13 College District as Other Public Service pursuant to A.R.S. § 38-743.<sup>6</sup>

14 2. "A preponderance of the evidence is such proof as convinces the trier of fact that  
15 the contention is more probably true than not."<sup>7</sup> A preponderance of the evidence is  
16 "evidence which is of greater weight or more convincing than evidence which is offered  
17 in opposition to it; that is, evidence which as a whole shows that the fact sought to be  
18 proved is more probable than not."<sup>8</sup>

19 3. A.R.S. § 38-743 provides as follows:

20 A. If an active member of ASRS or a member who is receiving  
21 benefits pursuant to section 38-797.07 was previously employed  
22 by the United States government, a state, territory,  
23 commonwealth, overseas possession or insular area of the United  
24 States or a political subdivision of a state, territory,  
25 commonwealth, overseas possession or insular area of the United  
26 States, excluding any time worked for a prison while the member  
27 was incarcerated, the member may receive up to sixty months of  
28 credited service for this prior employment if the member pays into  
29 ASRS the amount prescribed in subsection B of this section.

30 <sup>6</sup> See A.R.S. § 41-1092.07(G)(3); A.A.C. R2-19-119; see also *Vazanno v. Superior Court*, 74 Ariz. 369, 249 P.2d 837 (1952).

<sup>7</sup> Morris K. Udall, ARIZONA LAW OF EVIDENCE § 5 (1960).

<sup>8</sup> BLACK'S LAW DICTIONARY 1182 (6<sup>th</sup> ed. 1990).

1 B. A member who elects to receive credit for service with the  
2 United States government, a state, territory, commonwealth,  
3 overseas possession or insular area of the United States or a  
4 political subdivision of a state, territory, commonwealth, overseas  
5 possession or insular area of the United States shall pay to ASRS  
6 an amount equal to the present value of the additional benefit that  
7 is derived from the purchased credited service using the actuarial  
8 assumptions that are approved by the board.

9 C. A member who previously was a member of another public  
10 employee retirement system and who receives or is eligible to  
11 receive retirement benefits from that system for any period of  
12 employment is ineligible to receive retirement benefits from ASRS  
13 for the same period.

14 D. A member shall have at least five years of credited service in  
15 ASRS before electing to receive credit for service pursuant to this  
16 section.

17 8. Ms. Khorsandi contacted ASRS in September 2001, to purchase her employment  
18 from August 1998, to May 1999, with the MCCCCD as Other Public Service pursuant to  
19 A.R.S. § 38-743. ASRS processed Appellant's request and issued a service purchase  
20 invoice number 240150 dated January 7, 2002, in the amount of \$7,448.72. The due  
21 date on the invoice was February 6, 2002. ASRS did not receive payment from  
22 Appellant by the due date of February 6, 2002. Appellant again contacted ASRS in  
23 October 2014, to purchase her employment from August 1998, to May 1999, with  
24 MCCCCD as Other Public Service pursuant to A.R.S. § 38-743. ASRS rejected  
25 Appellant's request on November 24, 2014, because the October 2014 request was  
26 made more than fifteen (15) years after than the employment from August 1998, to May  
27 1999, with MCCCCD that Appellant was seeking to purchase and because Appellant  
28 failed to provide credible evidence to support her request for correction of salary history  
29 and service credit.

30 9. The Administrative Law Judge concludes that the weight of the evidence  
established that ASRS properly denied Appellant's request to purchase her  
employment from August 1998, to May 1999, with the Maricopa County Community  
College District as Other Public Service pursuant to A.R.S. § 38-743. Therefore,

1 Appellant has not sustained her burden to establish by a preponderance of the  
2 evidence that ASRS improperly denied her request to purchase her employment from  
3 August 1998, to May 1999, with the Maricopa County Community College District as  
4 Other Public Service pursuant to A.R.S. § 38-743.

5 **RECOMMENDED ORDER**

6 Based on the foregoing, it is recommended that the ASRS Board affirm its denial  
7 of Appellant's appeal.

8 *In the event of certification of the Administrative Law Judge Decision by the*  
9 *Director of the Office of Administrative Hearings, the effective date of the Order will be*  
10 *five (5) days from the date of that certification.*

11 Done this day, June 3, 2015.

12 /s/ M. Douglas  
13 Administrative Law Judge

14 Transmitted electronically to:

15 Paul Matson, Director  
16 Arizona State Retirement System  
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By a vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused and 2 vacancies, the motion was approved.

The Board convened to Executive Session at 9:16 a.m.

The Board reconvened to Public Session at 10:00 a.m.

Mr. Huffaker, Mr. Lara and Ms. Beljan responded to questions from the Board.

**Motion:** Mr. Tom Manos moved to modify the Administrative Law Judge's Decision as requested by the ASRS to include amendments #1-5 as stated above, but not #6. Mr. Clark Partridge seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused, and 2 vacancies, the motion was approved.

**5. Approval, Modification, or Rejection of Recommended Administrative Law Judge's Decision Regarding Ms. Mehrzad Khorsandi's Appeal to Purchase August 1998 through May 1999 Employment as Contributions Not Withheld Service**

Mr. Chris Munns, Assistant Attorney General, Solicitor General Section, was present to provide legal advice to the Board, if requested.

Ms. Mehrzad Khorsandi was present to address the Board. Ms. Khorsandi provided the Board with a summary of the appeal and the action she was requesting the Board to consider. Ms. Khorsandi requested that the Board allow her to purchase service credits for August 1988 through May 1999 as Contributions Not Withheld.

Ms. Jothi Beljan, Assistant Attorney General, presented her position regarding Ms. Khorsandi's appeal to the Board, referenced her recommended motion and responded to questions from the Board.

**Motion:** Mr. Jeff Tyne moved to modify the Administrative Law Judge's Decision as follows:

1. Correct the phrase *from* "as Other Public Service pursuant to A.R.S. § 38-743" to "as a Contributions Not Withheld pursuant to A.R.S. § 38-738" in Finding of Fact No. 4 and Conclusion of Law No. 1 based on ASRS hearing exhibits H and I.
2. Delete the content in Conclusion of Law No. 3 and insert the following language in its place, "A.R.S. § 38-738(B), (C) and (D) provide as follows:" and inserting the statutory language of A.R.S. § 38-738(B), (C) and (D) in Conclusion of Law No. 3.
3. Correct the phrase *from* "as Other Public Service pursuant to A.R.S. § 38-743" to "as a Contributions Not Withheld pursuant to A.R.S. § 38-738" in Conclusion of Law No. 8 to state, "Appellant again contacted ASRS in October 2014 to purchase her employment from August 1998, to May 1999 with MCCCDC as a Contributions Not Withheld pursuant to A.R.S. § 38-738" based on ASRS hearing exhibits H and I.
4. Insert the phrase "as required by A.R.S. § 38-738(B)(7) and (C) and A.A.C. R2-8-702(A)" at the end of conclusion of Law No. 8.

5. Correct the phrase used twice in Conclusion of Law No. 9 from "Other Public Service pursuant to A.R.S. § 38-743" to "a Contributions Not Withheld pursuant to A.R.S. § 38-738."

Mr. Clark Partridge seconded the motion.

By a vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused, and 2 vacancies, the motion was approved.

#### 6. Presentation Regarding Government Finance Officers Association (GFOA) Financial Reporting Awards

The GFOA Financial Reporting Awards will be presented at the September 25, 2015 Board meeting.

#### 7. Presentation, Discussion, and Appropriate Action Regarding ASRS Investment Program Updates

Mr. Gary Dokes, Chief Investment Officer, and Mr. Dave Underwood, Assistant Chief Investment Officer, were present to provide the Board with an update on the Investment Program. Mr. Dokes highlighted the ASRS positioning, indicating it is underweight in fixed income and slightly overweight in total equities. Due to recent changes in the market, specifically China, staff has taken steps to increase some of the underweighting to risk assets and the next report to the Board should reflect those efforts. Mr. Dokes further added that although the ASRS is net positive on the longer term, with the current issues in China that could potentially cause issues around the world from a growth standpoint; the ASRS will continue to be cautious.

Mr. Dokes shared with the Board some items that have been focused on lately. The private markets program will be looked at in conjunction with the pacing schedule. Also, in the next couple of months, the draws in the private market will be looked at closely.

Mr. Dokes took a moment to recognize two investment staff members who recently obtained additional certifications; one completed the CFA program; and one completed an MBA program. Mr. Dokes further stated that many of the investment staff continues to further their education which is a strong support for the ASRS.

#### 8. Presentation, Discussion, and Appropriate Action Regarding Independent Reporting, Monitoring, and Oversight of the ASRS Investment Program

Mr. Dan LeBeau, Consultant, NEPC, addressed the Board regarding NEPC's independent reporting, monitoring, and oversight of the ASRS Investment Program including Total Fund performance through June 30, 2015.

As of June 30, 2015 the Total Fund's market value was approximately \$34.9 billion.

For the one-year period ending June 30, 2015, the Total Fund returned 3.2% (net of fees), outperforming the Interim SAA Policy by 1.6%. For the three-year period, the Total Fund produced a return of 11.4% per annum, outperforming the Interim SAA Policy by 0.9%. Over the past ten years, the Total Fund has returned 6.9% per annum, and since inception, the portfolio's performance is 9.9%.



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## MEMORANDUM

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**TO:** Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board

**FROM:** Mr. Paul Matson, Director

**DATE:** October 22, 2015

**RE:** **Agenda Item #7:** Presentation, Discussion and Appropriate Action Regarding the 2016 Board Meeting Calendar

### **Purpose**

To obtain Board approval of the 2016 Board meeting schedule.

### **Recommendation**

Staff recommends approval of the proposed 2016 Board meeting schedule (see attachment).

### **Background**

The 2016 Board meeting schedule consists of ten meetings scheduled throughout the calendar year. Meetings are on the last Friday of the month except in November. Due to the Thanksgiving holiday, the final meeting of the year is suggested to be scheduled for the first Friday in December. There are no Board meetings scheduled during the months of July or November.

# 2016

January						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

February						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29					

March						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

April						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

May						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

June						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

July						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

August						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

September						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

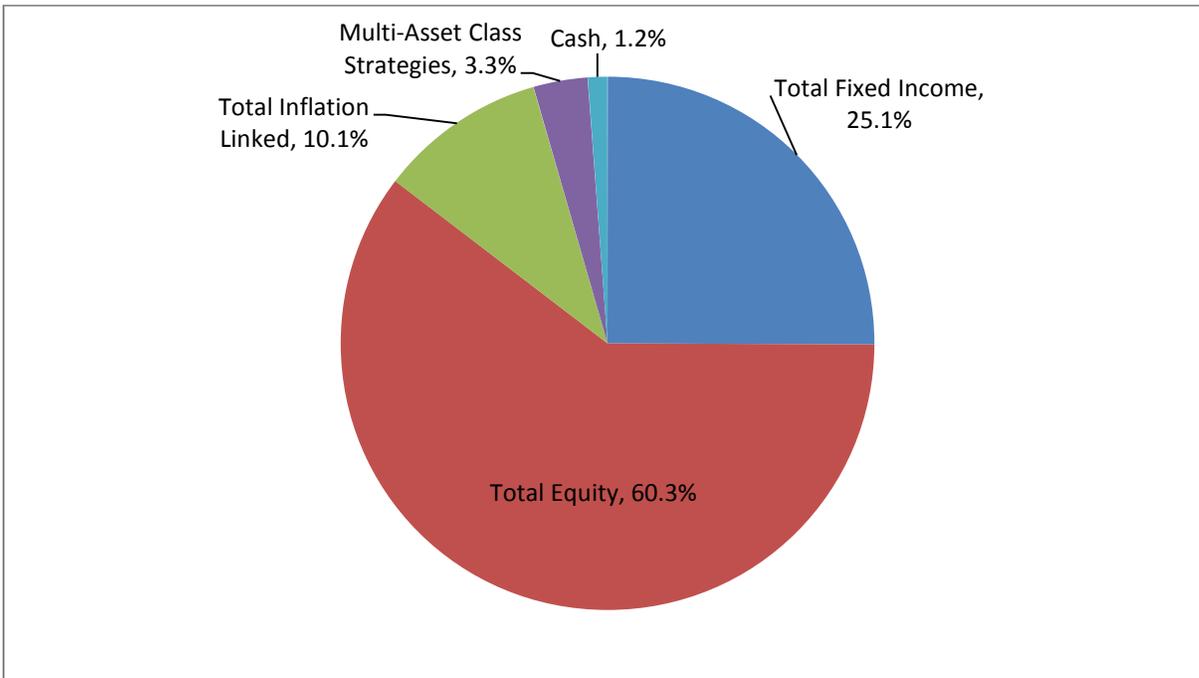
November						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

December						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

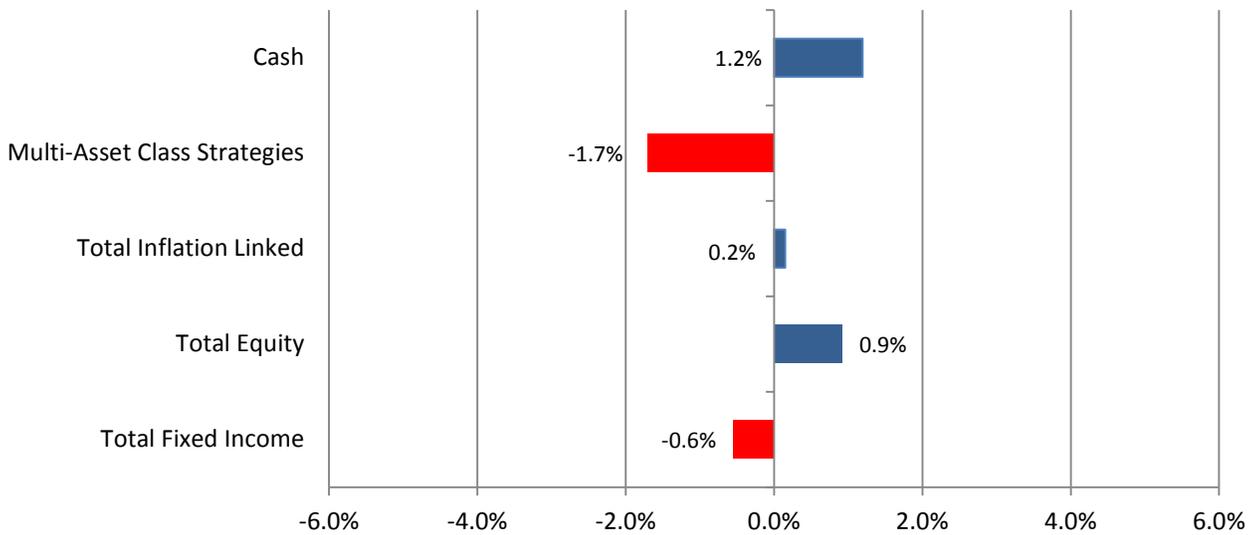
2016 Board Meeting Dates are the LAST Friday of the month (No meeting July and November)

# TOTAL FUND POSITIONING 9/30/2015

## ACTUAL PORTFOLIO



## ACTUAL PORTFOLIO VS. INTERIM SAA POLICY \*



*\*The Interim SAA Policy is prorated thusly: Real Estate was prorated to domestic equity, international equity and fixed income, Private Equity was prorated to domestic equity, and Private Debt was prorated to core fixed income and U.S. high yield. All Private asset classes' market values are reported on a quarter-lag and adjusted to include the current quarter's cash flows.*

Account Manager	Account Manager Style	Fixed Income		Equity		Inflation Linked	Multi-Asset	Total	Pct of Fund
		Active	Enh/Passive	Active	Enh/Passive	Active	Active		
State Street B&T: Boston	Tactical Cash (non-assetized)							0	0.00%
								<b>Tactical Cash Policy Range: 0% - 3%</b>	<b>0.00%</b>
	Operating Cash (non-assetized)		28,917,423					28,917,423	0.09%
	Operating Cash (assetized)		363,086,739					363,086,739	1.10%
	<b>Cash Total</b>							<b>\$392,004,163</b>	<b>1.19%</b>
								<b>Cash Policy: 0%</b>	<b>0.00%</b>
Blackrock: San Francisco	Treasuries (Long Duration)		388,053,350					388,053,350	1.18%
	<b>Treasuries (Long Duration) Total</b>							<b>\$388,053,350</b>	<b>1.18%</b>
								<b>Treasuries (Long Duration) Policy Range: 0% - 10%</b>	<b>0.00%</b>
Blackrock: San Francisco	Passive (Intermediate Gov Credit)		24,544,795					24,544,795	0.07%
ASRS: Phoenix	Enhanced Passive F2		1,882,369,047					1,882,369,047	5.73%
Blackrock: San Francisco	Passive (US Debt Index)		1,824,160,448					1,824,160,448	5.55%
	<b>Core Fixed Income Total</b>							<b>\$4,119,290,906.55</b>	<b>12.53%</b>
								<b>Interest Rate Sensitive: 11%</b>	<b>11.00%</b>
Columbia: Minneapolis	Active	667,136,852						667,136,852	2.03%
JP Morgan: Indianapolis	Active	344,810,187						344,810,187	1.05%
	<b>High Yield Fixed Income Total</b>							<b>\$1,011,960,794</b>	<b>3.08%</b>
								<b>High Yield Fixed Income Policy</b>	<b>4.00%</b>
	<b>Opportunistic Debt</b>	1,130,210,914						<b>\$1,130,210,914</b>	<b>3.44%</b>
								<b>Opportunistic Debt Policy:</b>	<b>0.00%</b>
	<b>Private Debt Total</b>	1,975,871,750						<b>\$1,975,871,750</b>	<b>6.01%</b>
								<b>Total Private Debt: 8% - 12%</b>	<b>10.00%</b>
	<b>Fixed Income Total</b>							<b>\$8,237,351,777</b>	<b>25.06%</b>
								<b>Total Fixed Income Policy Range: 18% - 35%</b>	<b>25.00%</b>
Intech: FL	Active (Growth)			401,193,800				401,193,800	1.22%
LSV: Chicago	Active (Value)			695,386,728				695,386,728	2.12%
ASRS: Phoenix	Passive E2				4,709,661,742			4,709,661,742	14.33%
ASRS: Phoenix	Enhanced Passive E7				619,347,929			619,347,929	1.88%
ASRS: Phoenix	Enhanced Passive E8				533,301,129			533,301,129	1.62%
ASRS: Phoenix	Risk Factor Portfolio				528,676,862			528,676,862	1.61%
	<b>Large Cap Equity Total</b>							<b>\$7,487,568,191</b>	<b>22.78%</b>
								<b>Large Cap Policy</b>	<b>20.00%</b>
Wellington: Boston	Active (Core)			264,319,276				264,319,276	0.80%
ASRS: Phoenix	Passive E3 (Growth)				361,802,581			361,802,581	1.10%
ASRS: Phoenix	Passive E4 (Value)				314,967,234			314,967,234	0.96%
	<b>Mid Cap Equity Total</b>							<b>\$941,089,091</b>	<b>2.86%</b>
								<b>Mid Cap Policy</b>	<b>3.00%</b>
TimesSquare: New York	Active SMD (Growth)			341,034,654				341,034,654	1.04%
DFA: Santa Monica	Active (Value)			257,502,106				257,502,106	0.78%
ASRS: Phoenix	Passive E6				306,381,961			306,381,961	0.93%
	<b>Small Cap Equity Total</b>							<b>\$904,918,721</b>	<b>2.75%</b>
								<b>Small Cap Policy</b>	<b>3.00%</b>
	<b>U.S. Equity Total</b>							<b>\$9,333,576,003</b>	<b>28.40%</b>
								<b>US Equity Policy Range: 16% - 36%</b>	<b>26.00%</b>
Brandes: San Diego	Active (Value)			541,516,738				541,516,738	1.65%
American Century	Active (EAFE)			537,383,072				537,383,072	1.64%
Trinity Street	Active (EAFE)			309,863,753				309,863,753	0.94%
Thompson Siegel Walmsley	Active (EAFE)			283,582,573				283,582,573	0.86%
Blackrock: San Francisco	Passive (EAFE)				3,741,064,555			3,741,064,555	11.38%
	<b>Large Cap Developed Non-US Equity Total</b>							<b>\$5,415,582,762</b>	<b>16.48%</b>
								<b>Large Cap Developed Policy</b>	<b>17.00%</b>
AQR: Greenwich	Active (EAFE SC)			92,187,186				92,187,186	0.28%
DFA: Santa Monica	Active (EAFE SC)			98,397,749				98,397,749	0.30%
Franklin Templeton: San Mateo	Active (EAFE SC)			213,287,152				213,287,152	0.65%
Blackrock: San Francisco	Passive (EAFE SC)				234,113,933			234,113,933	0.71%
	<b>Small Cap Developed Non-US Equity Total</b>							<b>\$637,988,483</b>	<b>1.94%</b>
								<b>Small Cap Developed Policy</b>	<b>2.00%</b>
William Blair: Chicago	Active (EM)			333,419,592				333,419,592	1.01%
Eaton Vance: Boston	Active (EM)			341,080,841				341,080,841	1.04%
LSV: Chicago	Active (EM)			205,834,795				205,834,795	0.63%
Blackrock: San Francisco	Passive (EM)				448,429,652			448,429,652	1.36%
	<b>Emerging Markets Equity Total</b>							<b>\$1,328,764,880</b>	<b>4.04%</b>
								<b>Emerging Markets Policy</b>	<b>5.00%</b>
	<b>Non-US Equity Total</b>							<b>\$7,382,336,124</b>	<b>22.46%</b>
								<b>Non-US Equity Policy Range: 14% - 34%</b>	<b>24.00%</b>
	<b>Private Equity Total</b>			2,630,103,398				<b>\$2,630,103,398</b>	<b>8.00%</b>
								<b>Private Equity Policy Range: 6% - 10%</b>	<b>8.00%</b>
	<b>Opportunistic Equity</b>			479,312,489				<b>\$479,312,489</b>	<b>1.46%</b>
								<b>Opportunistic Equity Policy:</b>	<b>0.00%</b>
	<b>Equity Total</b>							<b>\$19,825,328,014</b>	<b>60.32%</b>
								<b>Total Equity Policy Range: 48% - 65%</b>	<b>58.00%</b>
Gresham: New York	<b>Commodities Total</b>					232,090,430		232,090,430	0.71%
								<b>\$232,090,430</b>	<b>0.71%</b>
								<b>Commodities Policy Range: 0% - 4%</b>	<b>2.00%</b>
	<b>Real Estate Total</b>					2,609,887,576		<b>\$2,609,887,576</b>	<b>7.94%</b>
								<b>Real Estate Policy Range: 8% - 12%</b>	<b>10.00%</b>
	<b>Infrastructure Total</b>					305,645,449		<b>\$305,645,449</b>	<b>0.93%</b>
								<b>Infrastructure Policy Range: 0% - 3%</b>	<b>0.00%</b>
	<b>Farmland &amp; Timber Total</b>					182,866,866		<b>\$182,866,866</b>	<b>0.56%</b>
								<b>Farmland &amp; Timber Policy Range: 0% - 3%</b>	<b>0.00%</b>
	<b>Inflation Linked Total</b>							<b>\$3,330,490,320</b>	<b>10.13%</b>
								<b>Inflation Linked Policy Range: 10% - 16%</b>	<b>12.00%</b>
Bridgewater	<b>Multi-Asset Class Strategies</b>						1,081,100,289	1,081,100,289	3.29%
								<b>\$1,081,100,289</b>	<b>3.29%</b>
								<b>Multi-Asset Class Policy Range: 0% - 12%</b>	<b>5.00%</b>
	<b>TOTAL Amounts</b>	\$4,118,060,871	\$4,511,295,069	\$8,027,164,878	\$11,798,163,136	\$3,330,490,320	\$1,081,100,289	<b>\$32,866,274,564</b>	<b>Total Fund</b>
	<b>TOTAL Percent</b>	12.53%	13.73%	24.42%	35.90%	10.13%	3.29%		

Asset Class	Actual Portfolio	SAAP Target (Range)	Interim SAA* Adj Policy	Actual - Interim SAA**		Policy Band check Actual - Adj Policy
				% diff	\$ diff	
Tactical Cash	0.00%	0% (0-3%)	0.00%	0.00%		
Cash	1.19%	0.00%	0.00%	1.19%	392,004,163	
Interest Rate Sensitive	12.53%	11%	14.54%	-2.01%		
High Yield	3.08%	4%	5.06%	-1.98%		
Opportunistic Debt	3.44%	0%	0.00%	3.44%	\$1,130,210,914	
Private Debt	6.01%	10% (8-12%)	6.01% (4-8%)	0.00%		
<b>Total Fixed Income</b>	<b>25.06%</b>	<b>25% (18-35%)</b>	<b>25.62% (19-36%)</b>	<b>-0.55%</b>	<b>-\$182,238,828</b>	<b>OK</b>
Large Cap	22.78%	20%	20.80%	1.98%	\$651,186,157	
Mid Cap	2.86%	3%	3.00%	-0.14%	-\$44,899,146	
Small Cap	2.75%	3%	3.00%	-0.25%	-\$81,069,515	
US Equity	<b>28.40%</b>	<b>26% (16-36%)</b>	<b>26.8% (17-37%)</b>	<b>1.60%</b>	<b>\$525,217,496</b>	<b>OK</b>
Developed Large Cap	16.48%	17%	17.60%	-1.12%	-\$367,938,480	
Developed Small Cap	1.94%	2%	2.00%	-0.06%	-\$19,337,008	
Emerging Markets	4.04%	5%	5.00%	-0.96%	-\$314,548,848	
Non-US Equity	<b>22.46%</b>	<b>24% (14-34%)</b>	<b>24.6% (15-35%)</b>	<b>-2.14%</b>	<b>-\$701,824,336</b>	<b>OK</b>
Private Equity	8.00%	8% (6-10%)	8.00%	0.00%	\$0	OK
Opportunistic Equity	1.46%	0%	0.00%	1.46%	\$479,312,489	
<b>Total Equity</b>	<b>60.32%</b>	<b>58% (48-65%)</b>	<b>59.4% (49-66%)</b>	<b>0.92%</b>	<b>\$302,705,648</b>	<b>OK</b>
Commodities	0.71%	2% (0-4%)	2.04%	-1.34%	-\$438,769,859	OK
Real Estate	7.94%	10% (8-12%)	7.94%	0.00%	\$0	OK
Infrastructure	0.93%	0% (0-3%)	0.00%	0.93%	\$305,645,449	OK
Farmland & Timber	0.56%	0% (0-3%)	0.00%	0.56%	\$182,866,866	OK
Opportunistic I/L	0.00%	0%	0.00%	0.00%	\$0	
<b>Total Inflation Linked</b>	<b>10.13%</b>	<b>12% (10-16%)</b>	<b>9.98% (8-12%)</b>	<b>0.15%</b>	<b>\$49,742,456</b>	<b>OK</b>
<b>Multi-Asset Strategies***</b>	<b>3.29%</b>	<b>5% (0-12%)</b>	<b>5% (0-12%)</b>	<b>-1.71%</b>	<b>-\$562,213,439</b>	<b>OK</b>
<b>Total</b>	<b>100.00%</b>	<b>100%</b>	<b>100.00%</b>	<b>0.00%</b>	<b>\$0</b>	
						<b>Internally Managed Portfolios:</b>
						<b>\$8,727,831,623</b>
						<b>27%</b>
*Interim SAA includes a proration of unfunded Private Equity, Private Debt, and Real Estate						
**Private Equity is prorated to domestic equity; Real Estate is prorated to equity, commodities, and fixed income; Private Debt is prorated to Interest Rate Sensitive and High Yield						
***Opportunistic definitions:						
An investment in a category that is not included in the ASRS Asset Allocation policy and represents an investment opportunity that is tactical in nature.						
Opportunistic investments have a 0% target (0%-10% range), regardless of asset class.						
<b>Total Opportunistic</b>						
Opportunistic Debt	\$1,130,210,914	3.4%				
Opportunistic Equity	\$479,312,489	1.5%				
Opportunistic I/L	\$0	0.0%				
	<b>\$1,609,523,404</b>	<b>4.9%</b>				

ASRS Pension and HBS Assets  
Public Securities Markets  
Investment Managers Performance Summary



	Benchmark	Market Value (\$mil.)	1 Mth	3 Mth	1 Year	3 Year	5 Year	10 Year	ITD	Inception Date
<b>US EQUITY LARGE CAP</b>										
E2 MODEL	S&P 500 INDEX (DAILY)	4,710	-2.49	-6.46	-0.67	12.37	13.31	6.84	7.19	04-01-1997
Excess			-0.02	-0.02	-0.05	-0.03	-0.03	0.05	0.07	
INTECH LARGE CAP	S&P/CITIGROUP 500 GROWTH	401	-1.88	-4.51	1.05	12.18	13.27	7.17	9.21	01-01-2003
Excess			0.32	0.32	-1.73	-1.31	-1.45	-0.93	0.31	
LSV ASSET MANAGEMENT	LSV CUSTOM INDEX	695	-3.49	-9.15	-4.06	14.62	13.35	7.15	10.22	01-01-2003
Excess			-0.70	-0.90	0.24	3.37	1.47	1.73	2.19	
E7	MSCI USA High Dividend Yield Index	619	-0.32	-4.31	-2.74	10.70			10.99	08-01-2012
Excess			-0.02	-0.12	-0.19	-0.02			-0.00	
E8	MSCI USA Minimum Volatility Index	533	-0.62	-1.36	7.17	12.97			12.81	08-01-2012
Excess			-0.06	-0.09	-0.18	0.35			0.37	
<b>TOTAL US EQUITY LARGE CAP</b>	<b>S&amp;P 500 INDEX (DAILY)</b>	<b>6,959</b>	<b>-2.23</b>	<b>-6.07</b>	<b>-0.62</b>	<b>12.29</b>	<b>13.09</b>	<b>6.82</b>	<b>7.30</b>	<b>06-01-2002</b>
Excess			0.25	0.36	-0.01	-0.11	-0.24	0.02	0.65	
<b>US EQUITY MID CAP</b>										
WELLINGTON MANAGEMENT COMPANY LLP	S&P 400 MIDCAP INDEX (DAILY)	264	-3.30	-6.06	4.29	16.24	13.58	9.74	10.86	07-01-2002
Excess			-0.07	2.44	2.89	3.12	0.64	1.48	1.29	
E3 MODEL	S&P/CITIGROUP 400 GROWTH	362	-2.76	-7.03	4.86	13.36	13.74	9.61	8.23	12-01-2000
Excess			-0.05	-0.08	-0.06	0.05	0.24	0.53	0.52	
E4 MODEL	S&P/CITIGROUP 400 VALUE	315	-3.79	-10.18	-2.42	12.75	12.19	7.58	9.43	07-01-2002
Excess			-0.01	-0.06	-0.04	-0.08	-0.12	0.24	0.18	
<b>TOTAL US EQUITY MID CAP</b>	<b>S&amp;P 400 MIDCAP INDEX (DAILY)</b>	<b>941</b>	<b>-3.25</b>	<b>-7.84</b>	<b>1.86</b>	<b>13.76</b>	<b>12.95</b>	<b>8.38</b>	<b>9.60</b>	<b>06-01-2002</b>
Excess			-0.03	0.65	0.47	0.63	0.01	0.13	0.71	
<b>US EQUITY SMALL CAP</b>										
DIMENSIONAL FUND ADVISORS EQFD	DFA BLENDED BENCHMARK	258	-4.69	-11.41	-5.63	13.08	12.45	7.17	11.13	09-01-1998
Excess			-0.86	-0.71	-5.02	1.27	-0.42	-0.03	0.95	
E6	S&P 600 SMALL CAP (DAILY)	306	-3.54	-9.11	4.04	13.07	13.95		7.17	02-01-2007
Excess			-0.04	0.16	0.22	0.05	-0.10		0.34	
TIMESQUARE CAPITAL MANAGEMENT	TIMESQUARE BLENDED BENCHMARK	341	-5.03	-11.49	2.70	13.34	14.90	10.54	11.18	04-01-2005
Excess			1.28	1.58	0.32	-0.10	1.18	2.27	2.32	

ASRS Pension and HBS Assets  
Public Securities Markets  
Investment Managers Performance Summary



	Benchmark	Market Value (\$mil.)	1 Mth	3 Mth	1 Year	3 Year	5 Year	10 Year	ITD	Inception Date
<b>TOTAL US EQUITY SMALL CAP</b>	<b>ASRS SMALL CAP CUSTOM INDEX</b>	<b>905</b>	<b>-4.43</b>	<b>-10.68</b>	<b>0.79</b>	<b>12.97</b>	<b>13.65</b>	<b>8.13</b>	<b>9.73</b>	<b>06-01-2002</b>
Excess			-0.93	-1.41	-3.02	-0.05	-0.39	0.10	0.89	
<b>TOTAL US EQUITY</b>	<b>COMBINED DOMESTIC EQUITY INDEX</b>	<b>8,805</b>	<b>-2.49</b>	<b>-6.70</b>	<b>0.17</b>	<b>12.76</b>	<b>13.34</b>	<b>7.39</b>	<b>11.03</b>	<b>07-01-1975</b>
Excess			0.25	0.47	-0.22	0.10	-0.06	0.17	-0.07	
<b>INTERNATIONAL DEVELOPED LARGE CAP</b>										
BRANDES INVESTMENT PARTNERS INT EQ	BRANDES CUSTOM INDEX	542	-5.64	-9.75	-5.30	8.41	4.50	3.42	8.40	10-01-1998
Excess			-0.56	0.48	3.36	2.62	0.53	-0.92	2.93	
AMERICAN CENTURY	MSCI EAFE NET (BLENDED)	537	-3.69	-7.57	-3.34				-6.45	07-01-2014
Excess			1.39	2.66	5.32				4.92	
BGI EAFE INDEX	MSCI EAFE NET (BLENDED)	3,822	-5.05	-10.22	-8.40	5.89	4.27		6.99	07-01-2009
Excess			0.03	0.02	0.26	0.10	-0.00		-0.02	
THOMSON, SIEGEL & WALMSLEY	MSCI EAFE NET (BLENDED)	284	-4.64	-8.89	-5.46				-8.89	07-01-2014
Excess			0.44	1.35	3.20				2.48	
TRINITY STREET	MSCI EAFE NET (BLENDED)	310	-4.26	-8.15	-5.28				-9.20	07-01-2014
Excess			0.82	2.08	3.38				2.17	
<b>TOTAL INTERNATIONAL DEVELOPED LARGE CAP</b>	<b>MSCI EAFE NET (BLENDED)</b>	<b>5,496</b>	<b>-4.91</b>	<b>-9.73</b>	<b>-7.36</b>	<b>5.59</b>	<b>4.33</b>			<b>09-01-2009</b>
Excess			0.17	0.50	1.30	-0.21	0.05			
<b>INTERNATIONAL DEVELOPED SMALL CAP</b>										
AQR CAPITAL	MSCI EAFE SMALL CAP NET (BLENDED)	92	-3.14	-4.64	3.88				8.61	06-01-2013
Excess			0.23	2.19	3.59				2.40	
BLACKROCK EAFE SMALL CAP	MSCI EAFE SMALL CAP NET (BLENDED)	238	-3.40	-6.85	0.59	10.29	7.34		10.12	06-01-2010
Excess			-0.03	-0.02	0.29	0.00	-0.18		-0.12	
DIMENSIONAL FUND ADVISORS INTL SC	MSCI EAFE SMALL CAP NET (BLENDED)	98	-4.40	-10.17	-7.45	8.71	5.35	4.32	4.58	09-01-2005
Excess			-1.04	-3.34	-7.75	-1.58	-2.17	-0.62	-0.74	
FRANKLIN TEMPLETON INVESTMENTS	MSCI EAFE SMALL CAP NET (BLENDED)	213	-4.49	-6.06	1.43	10.36			6.74	04-01-2011
Excess			-1.12	0.77	1.13	0.07			1.71	
<b>TOTAL INTERNATIONAL DEVELOPED SMALL CAP</b>	<b>MSCI EAFE SMALL CAP NET (BLENDED)</b>	<b>642</b>	<b>-3.88</b>	<b>-6.81</b>	<b>-0.31</b>	<b>10.64</b>	<b>8.27</b>		<b>7.47</b>	<b>10-01-2009</b>
Excess			-0.51	0.02	-0.61	0.35	0.76		-0.18	
<b>INTERNATIONAL EMERGING MARKETS</b>										
BLACKROCK EMERGING MARKETS	MSCI EMF NET (BLENDED)	457	-3.08	-17.93	-19.46	-5.45	-3.77		-3.77	10-01-2010



	Benchmark	Market Value (\$mil.)	1 Mth	3 Mth	1 Year	3 Year	5 Year	10 Year	ITD	Inception Date
Excess			-0.07	-0.04	-0.18	-0.30	-0.40		-0.40	
EATON VANCE EMERGING MARKET EQUITY	MSCI EMF NET (BLENDED)	345	-4.14	-15.75	-22.60	-4.70			-3.43	12-01-2010
Excess			-1.13	2.14	-3.32	0.45			0.10	
LSV EMERGING MARKET EQUITY	MSCI EMF NET (BLENDED)	209	-1.99	-18.89	-22.02	-4.62			-3.19	12-01-2010
Excess			1.01	-1.00	-2.73	0.53			0.35	
WILLIAM BLAIR & COMPANY	MSCI EMF NET (BLENDED)	340	-2.87	-17.30	-16.51	-1.51			-1.26	11-01-2010
Excess			0.14	0.60	2.77	3.64			2.74	
<b>TOTAL INTERNATIONAL EMERGING MARKETS</b>	<b>MSCI EMF NET (BLENDED)</b>	<b>1,352</b>	<b>-3.13</b>	<b>-17.38</b>	<b>-19.98</b>	<b>-4.22</b>	<b>-3.10</b>		<b>-3.10</b>	<b>10-01-2010</b>
Excess			-0.13	0.52	-0.70	0.93	0.28		0.28	
<b>TOTAL INTERNATIONAL EQUITY</b>	<b>INTERNATIONAL EQUITY INDEX</b>	<b>7,490</b>	<b>-4.51</b>	<b>-10.98</b>	<b>-9.26</b>	<b>3.45</b>	<b>2.88</b>	<b>3.01</b>	<b>5.72</b>	<b>04-01-1987</b>
Excess			-0.19	0.80	1.07	-0.05	0.06	-0.75	0.34	
<b>RISK FACTOR PORTFOLIO</b>										
RISK FACTOR PORTFOLIO		529	-1.95	-5.26	2.22				10.55	06-01-2013
<b>TOTAL EQUITY W/ RISK FACTOR OVERLAY</b>	<b>MSCI WORLD NET (BLENDED)</b>	<b>16,824</b>	<b>-3.38</b>	<b>-8.60</b>	<b>-4.01</b>	<b>8.88</b>	<b>9.55</b>	<b>5.72</b>	<b>6.15</b>	<b>01-01-1998</b>
Excess			0.31	-0.15	1.08	0.05	0.87	0.51	0.85	
<b>TOTAL EQUITY W/O RISK FACTOR</b>	<b>MSCI WORLD NET (BLENDED)</b>	<b>16,295</b>	<b>-3.43</b>	<b>-8.71</b>	<b>-4.12</b>	<b>8.83</b>	<b>9.52</b>	<b>5.71</b>	<b>6.14</b>	<b>01-01-1998</b>
Excess			0.26	-0.26	0.97	0.01	0.84	0.50	0.84	
<b>CORE FIXED INCOME</b>										
BGI US DEBT FD	Barclays Aggregate (Daily)	1,825	0.71	1.27	3.05				3.22	05-01-2014
Excess			0.03	0.04	0.11				0.18	
F2 MODEL	Barclays Aggregate (Daily)	1,882	0.77	1.47	3.47	2.01	3.36	4.92	5.47	10-01-2000
Excess			0.09	0.24	0.53	0.30	0.26	0.28	0.18	
BGI GOVT/CRDTBD INDEX	Barclays Gov/Credit Int (Daily)	25	0.71	1.00	2.80	1.57	2.55		4.59	11-01-2008
Excess			0.04	0.05	0.12	0.12	0.12		0.10	
<b>TOTAL CORE FIXED INCOME</b>	<b>Barclays Aggregate (Daily)</b>	<b>3,732</b>	<b>0.74</b>	<b>1.38</b>	<b>3.29</b>				<b>2.02</b>	<b>01-01-2013</b>
Excess			0.06	0.15	0.35				0.23	
<b>LONG DURATION TREASURIES</b>										
BLACKROCK LONG GOV BONDS	Barclays Treasury Long (Daily)	388	1.48						1.48	09-01-2015
Excess			-0.06						-0.06	
<b>LONG DURATION TREASURIES</b>	<b>Barclays Treasury Long (Daily)</b>	<b>388</b>	<b>1.48</b>						<b>1.48</b>	<b>09-01-2015</b>



	Benchmark	Market Value (\$mil.)	1 Mth	3 Mth	1 Year	3 Year	5 Year	10 Year	ITD	Inception Date
Excess			-0.06						-0.06	
<b>HIGH YIELD FIXED INCOME</b>										
COLUMBIA MANAGEMENT INV. ADVISORS, LLC	Barclays Corp High Yield (Daily)	667	-2.46	-2.96	0.40	4.60	6.92		8.26	10-01-2009
Excess			0.14	1.90	3.83	1.08	0.77		0.16	
JP MORGAN HIGH YIELD	Barclays Corp High Yield (Daily)	345	-2.93	-4.14	-1.77				3.07	07-01-2013
Excess			-0.33	0.71	1.66				0.50	
<b>TOTAL HIGH YIELD FIXED INCOME</b>	<b>Barclays Corp High Yield (Daily)</b>	<b>1,012</b>	<b>-2.62</b>	<b>-3.39</b>	<b>-0.39</b>	<b>4.19</b>	<b>6.42</b>		<b>7.82</b>	<b>10-01-2009</b>
Excess			-0.02	1.47	3.04	0.68	0.27		-0.28	
<b>TOTAL PUBLIC FIXED INCOME</b>	<b>ASRS CUSTOM FIXED INCOME BENCHMARK</b>	<b>5,132</b>	<b>0.11</b>	<b>0.21</b>	<b>0.99</b>	<b>1.09</b>	<b>3.06</b>	<b>4.80</b>	<b>8.28</b>	<b>07-01-1975</b>
Excess			0.85	2.57	3.90	1.25	1.02	0.71		
<b>MULTI-ASSET CLASS STRATEGIES</b>										
BRIDGEWATER ASSOCIATES GBLB TAA	BRIDGEWATER CUSTOM BENCHMARK	1,085	0.04	-3.85	1.41	8.77	10.78	8.23	8.36	01-01-2004
Excess			0.03	-3.86	-1.71	0.10	1.68	2.31	2.11	
<b>TOTAL MULTI-ASSET CLASS STRATEGIES</b>	<b>MULTI ASSET CUSTOM INDEX</b>	<b>1,086</b>	<b>0.04</b>	<b>-5.42</b>	<b>-1.09</b>	<b>7.44</b>	<b>9.30</b>	<b>7.08</b>	<b>7.25</b>	<b>01-01-2004</b>
Excess			0.03	-4.50	-2.99	-0.80	0.46	1.28	1.10	
<b>GLOBAL INFLATION LINKED</b>										
GRESHAM	Bloomberg Commodity Index Total Return	232	-4.30	-15.37	-27.85	-15.27	-7.24		-5.76	09-01-2010
Excess			-0.88	-0.90	-1.87	0.75	1.65		1.73	
<b>TOTAL GLOBAL INFLATION LINKED</b>	<b>Bloomberg Commodity Index Total Return</b>	<b>232</b>	<b>-4.30</b>	<b>-15.37</b>	<b>-27.85</b>	<b>-15.42</b>	<b>-8.24</b>		<b>-5.92</b>	<b>02-01-2010</b>
Excess			-0.88	-0.90	-1.87	0.60	0.65		0.59	
<b>CASH ASSETIZATION</b>										
<b>TOTAL CASH ASSETIZATION</b>	<b>CASH ASSETIZATION CUSTOM INDEX</b>	<b>363</b>	<b>2.13</b>	<b>-4.20</b>					<b>-0.82</b>	<b>02-01-2015</b>
Excess			0.59	3.90					4.36	
<b>TOTAL PUBLIC MARKET</b>		<b>23,665</b>	<b>-2.42</b>	<b>-6.78</b>	<b>-3.29</b>	<b>6.43</b>	<b>7.73</b>		<b>8.25</b>	<b>10-01-2009</b>

ASRS Long Term Disability Assets  
Investment Managers Performance Summary



	Benchmark	Market Value (\$mil.)	1 Mth	3 Mth	YTD	1 Year	3 Year	5 Year	10 Year	ITD	Inception Date
<b>LTD</b>											
BLACKROCK - US DEBT FUND B	Barclays Aggregate (Daily)	27.4	0.70	1.28	1.16	2.98	1.77			3.59	01-01-2011
Excess			0.03	0.05	0.03	0.04	0.06			0.04	
BLACKROCK - US HIGH YIELD FUND B	Barclays Corp High Yield (Daily)	17.4	-2.98	-5.16	-3.20	-3.71	3.16			5.44	01-01-2011
Excess			-0.38	-0.30	-0.74	-0.28	-0.35			-0.33	
BLACKROCK-LTD-EM BD INDX FD B	JPM GBI-EM Global Diversified Index	4.7	-3.11	-10.74	-15.43	-20.42				-11.56	01-01-2013
Excess			-0.14	-0.20	-0.52	-0.66				-0.75	
BLACKROCK - RUSSELL 1000 FUND B	RUSSELL 1000 (DAILY)	73.0	-2.73	-6.81	-5.20	-0.59	12.66			11.67	01-01-2011
Excess			0.01	0.02	0.04	0.03	-0.01			0.02	
BLACKROCK - RUSSELL 2000 FUND B	RUSSELL 2000 (DAILY)	14.5	-4.87	-11.85	-7.60	1.43	11.20			9.06	01-01-2011
Excess			0.04	0.06	0.13	0.19	0.18			0.18	
BLACKROCK - EAFE INDEX FUND B	MSCI EAFE NET (BLENDED)	29.0	-5.09	-10.25	-5.26	-8.65	5.66			2.86	01-01-2011
Excess			-0.01	-0.01	0.02	0.01	-0.13			-0.23	
BLACKROCK EAFE SMALL CAP FUND B	MSCI EAFE SMALL CAP NET (BLENDED)	8.4	-3.39	-6.83	2.67	0.58	10.33			5.29	01-01-2011
Excess			-0.02	0.00	0.04	0.28	0.04			-0.13	
BLACKROCK MSCI EMERGING MARKETS FUND B	MSCI EMF NET (BLENDED)	12.3	-3.05	-17.92	-15.68	-19.51	-5.50			-5.42	01-01-2011
Excess			-0.04	-0.03	-0.20	-0.22	-0.35			-0.43	
BGI-LTD- R ESTATE FD	WILSHIRE RESI (DAILY)	20.1	3.24	2.93	-3.02	11.52	9.73	12.07	6.50	7.01	01-01-2005
Excess			0.08	0.07	-0.41	-0.51	-1.25	-0.93	-0.50	-0.48	
BLACKROCK DJ UBS COMM FUND B	Bloomberg Commodity Index Total Return	4.8	-3.48	-14.43	-15.84	-26.10	-16.21			-12.37	01-01-2011
Excess			-0.06	0.03	-0.04	-0.11	-0.18			-0.27	
LONG TERM DISABILITY - CASH	91 DAY TREASURY BILL (DAILY)	1.6	-0.00	0.00	0.00	-0.00	0.00	0.04	1.42	2.62	07-01-1995
Excess			-0.00	-0.01	-0.02	-0.02	-0.05	-0.04	0.07	-0.05	
<b>TOTAL LTD</b>	<b>LTD POLICY INDEX</b>	<b>213.2</b>	<b>-2.35</b>	<b>-6.69</b>	<b>-5.12</b>	<b>-2.86</b>	<b>6.33</b>	<b>7.55</b>	<b>4.76</b>	<b>5.85</b>	<b>07-01-2002</b>

# Long Term Disability (LTD)

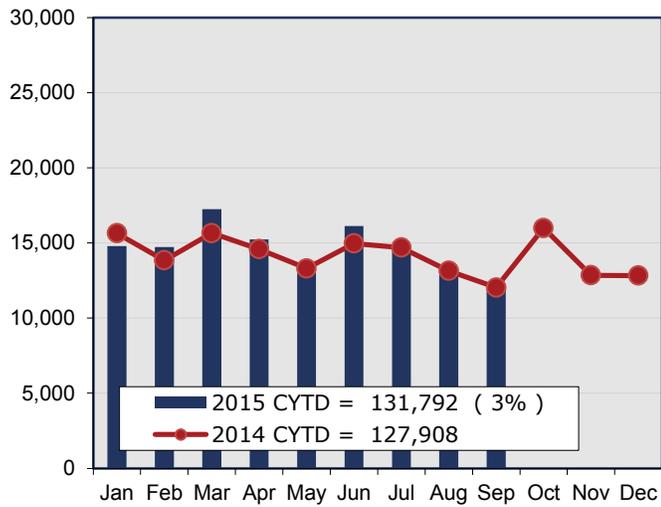
Wednesday, September 30, 2015

Account Manager	Account Manager Style	Fixed Income	Equity	Inflation-Linked	Total	Pct of Fund	Target (Range)
StateStreet B&T: Boston	Cash	\$1,522,721			\$1,522,721	0.71%	
BlackRock: San Francisco	Fixed Core (Passive)	\$27,390,009			\$27,390,009	12.81%	13%
BlackRock: San Francisco	Fixed High Yield (Passive)	\$17,630,764			\$17,630,764	8.24%	8%
BlackRock: San Francisco	Emerging Market Debt (Passive)	\$4,627,659			\$4,627,659	2.16%	4%
						<b>23.22%</b>	<b>25% (15-35%)</b>
BlackRock: San Francisco	Russell 1000 (Passive)		\$73,644,688		\$73,644,688	34.44%	34%
BlackRock: San Francisco	Russell 2000 (Passive)		\$14,936,038		\$14,936,038	6.98%	6%
						<b>41.42%</b>	<b>40% (33-45%)</b>
BlackRock: San Francisco	EAFE (Passive)		\$28,876,148		\$28,876,148	13.50%	14%
BlackRock: San Francisco	EAFE SC (Passive)		\$8,384,158		\$8,384,158	3.92%	3%
BlackRock: San Francisco	Emerging Markets (Passive)		\$12,177,440		\$12,177,440	5.69%	6%
						<b>23.12%</b>	<b>23% (16-28%)</b>
BlackRock: San Francisco	Dow Jones UBS Commodities (Passive)			\$4,784,217	\$4,784,217	2.24%	4% (1-7%)
BlackRock: San Francisco	US Real Estate (Passive)			\$19,874,223	\$19,874,223	9.29%	8% (6-10%)
						<b>11.53%</b>	<b>12% (8-16%)</b>
	<b>TOTAL Amounts</b>	\$51,171,153	\$138,018,473	\$24,658,440	<b>\$213,848,066</b>		
	<b>TOTAL Percent</b>	23.93%	64.54%	11.53%			
	<b>Actual Portfolio</b>	<b>23.93%</b>	<b>64.54%</b>	<b>11.53%</b>			
	<b>Policy</b>	<b>25% (15-35%)</b>	<b>63% (53-70%)</b>	<b>12% (8-16%)</b>			

# Member Advisory Center: Phone

## Volume

comparison of calls by month and year



## Timeliness

percent answered in 20 seconds or less

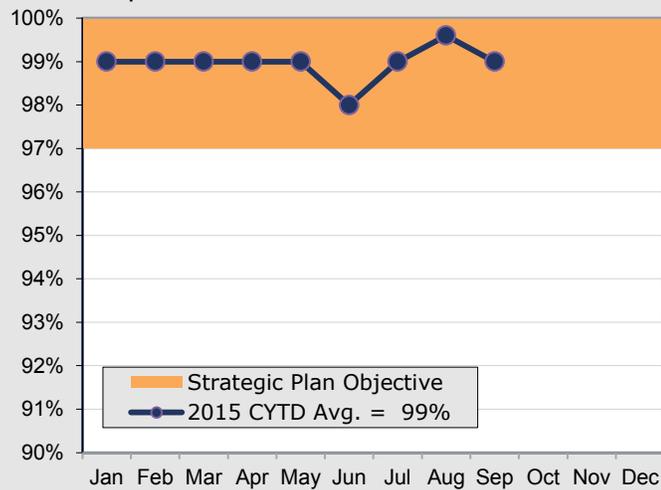


## Timeliness (average wait time in seconds)

13	11	14	10	12	27	20	20	7			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

## Resolution Rate

percent resolved on first contact



## Abandonment Rate

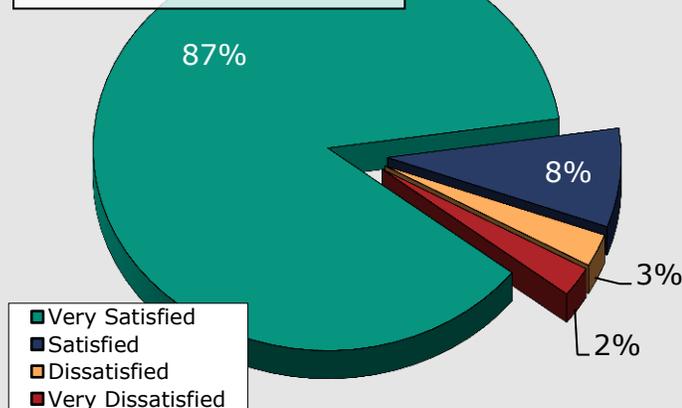
percent of calls abandoned



## Member Satisfaction

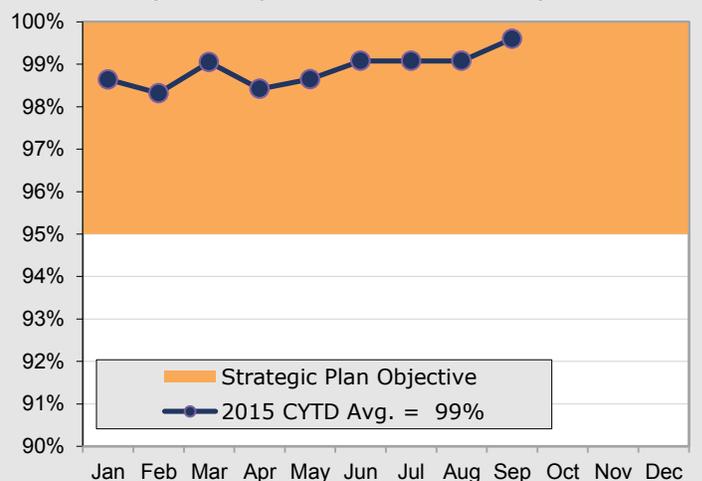
1st Quarter 2015

Very Satisfied + Satisfied = 95%  
Strategic Plan Objective = 90%

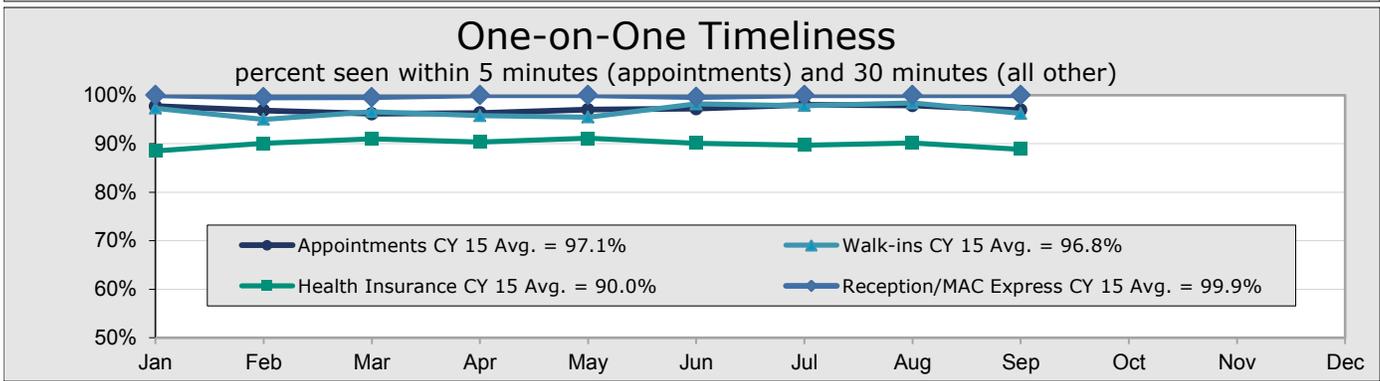
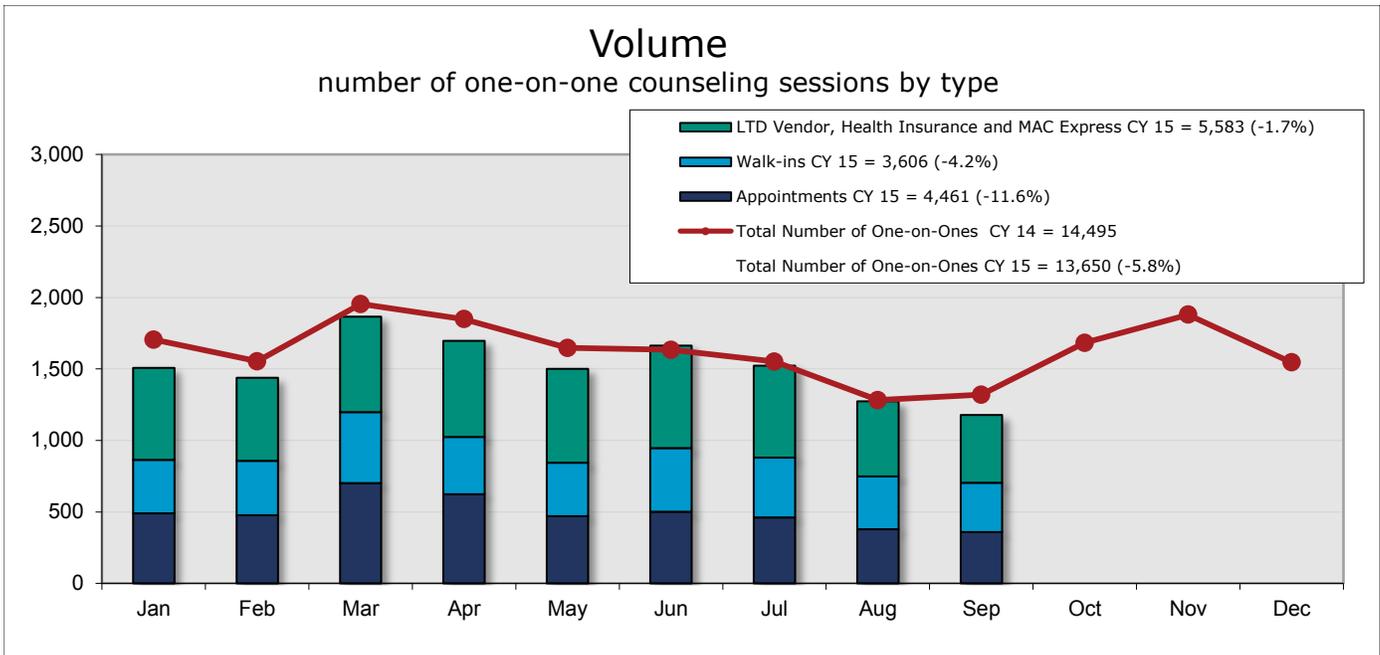


## Quality

of agent response to member inquiries

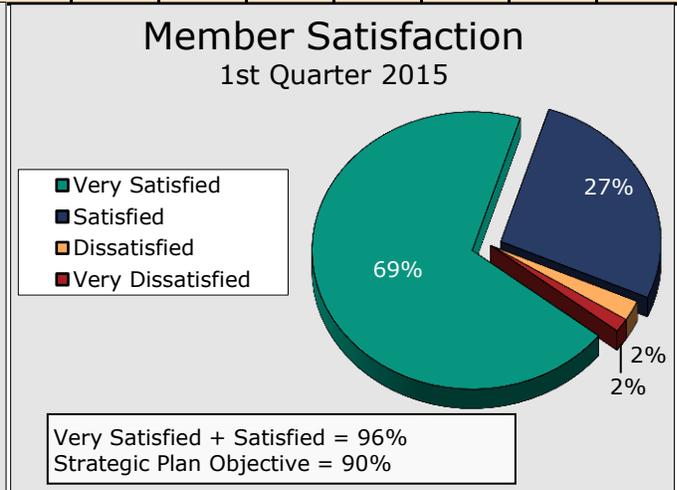
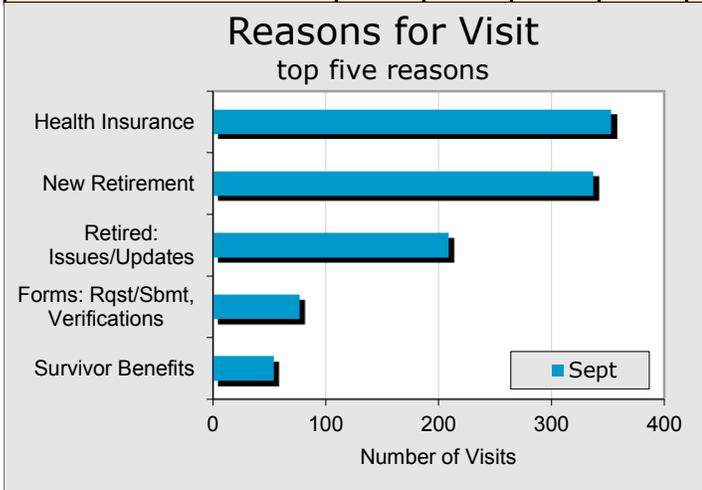


# Member Advisory Center: One-on-One

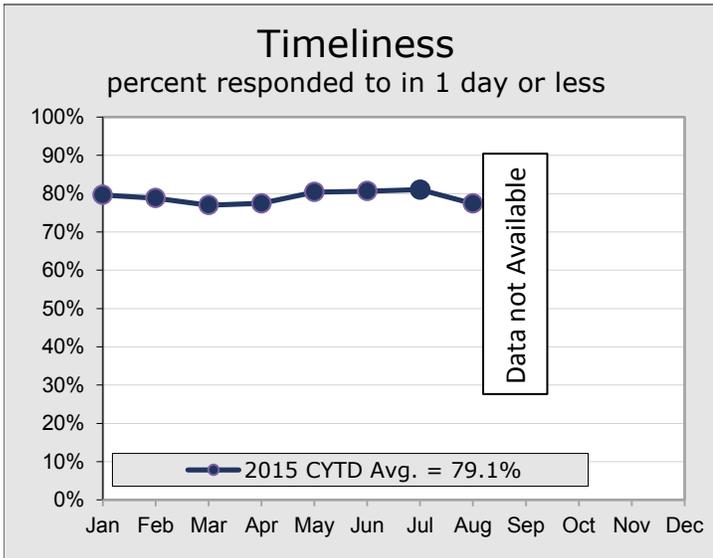
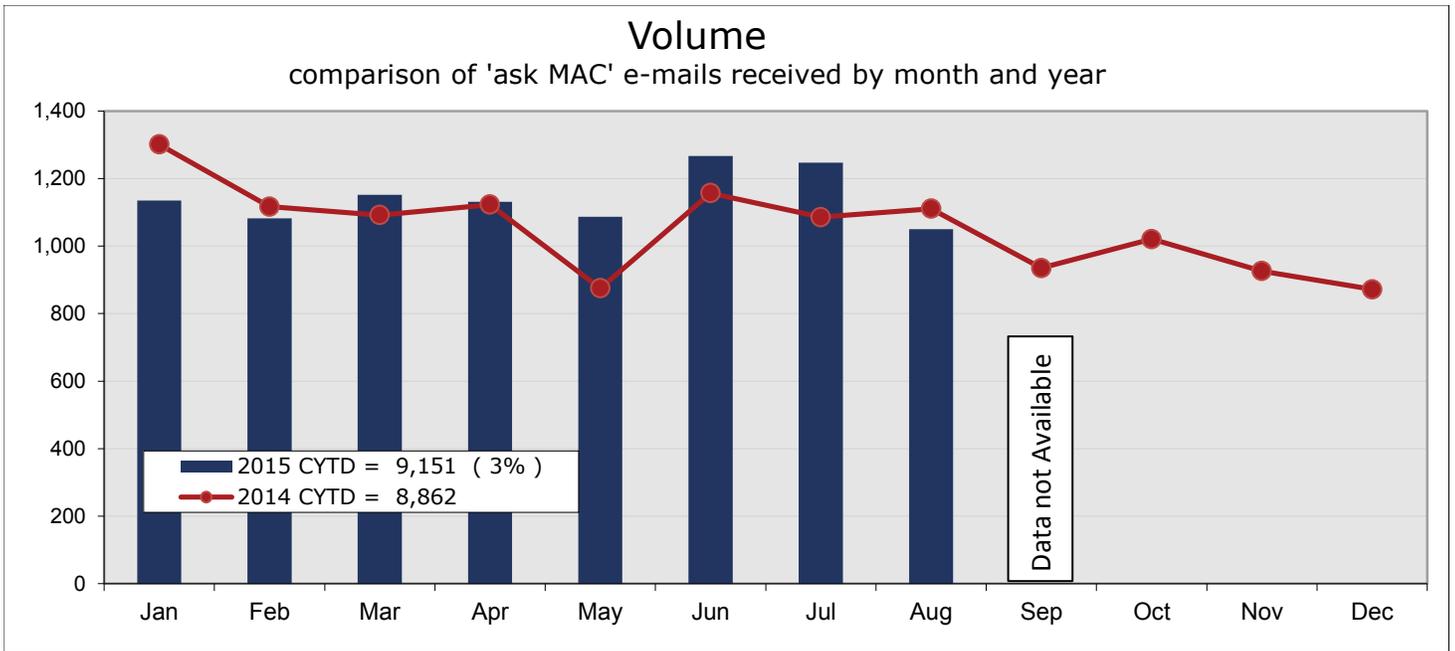


### Timeliness (average wait time in minutes)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Appointments	1	1	1	1	1	0	0	0	1			
Walk-Ins	5	7	6	6	6	5	5	5	7			
Reception/MAC Express	0	1	0	0	0	0	0	0	0			
Health Insurance	6	5	5	5	6	6	5	5	7			
LTD Vendor	1	n/a	0	n/a	0	n/a	0	0	0			

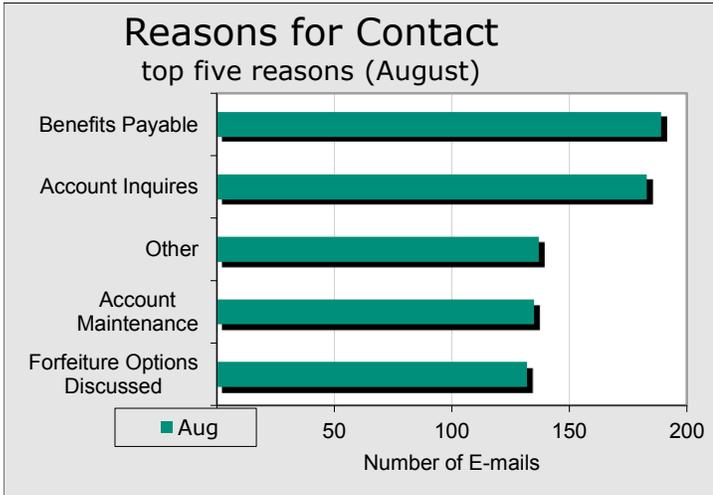
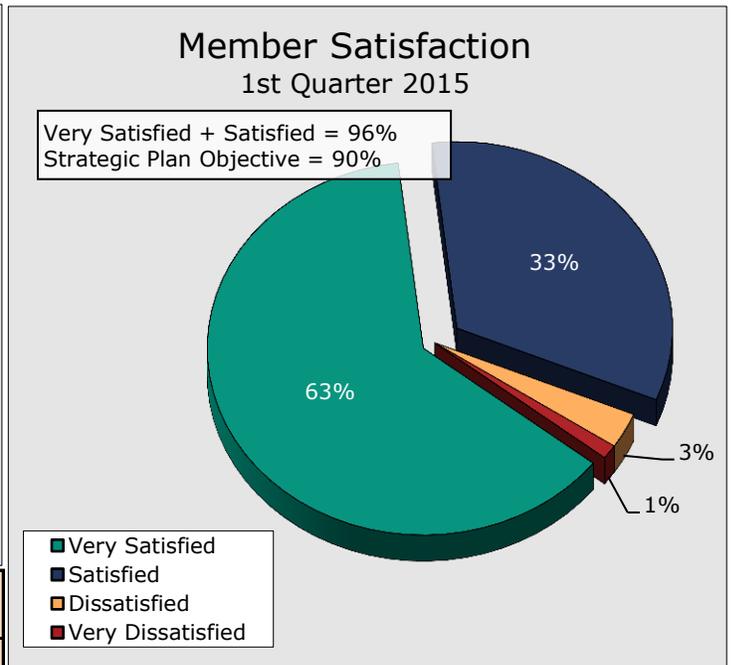


# Member Advisory Center: E-Mail

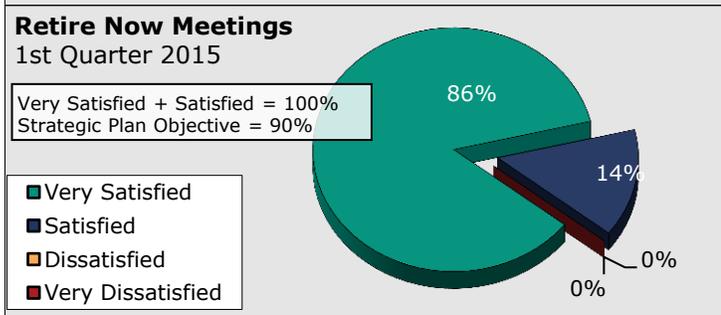
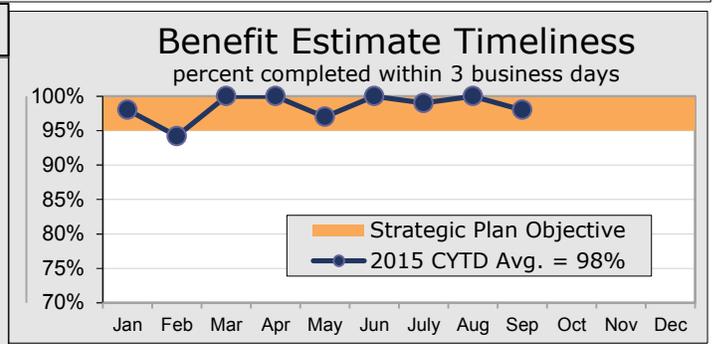
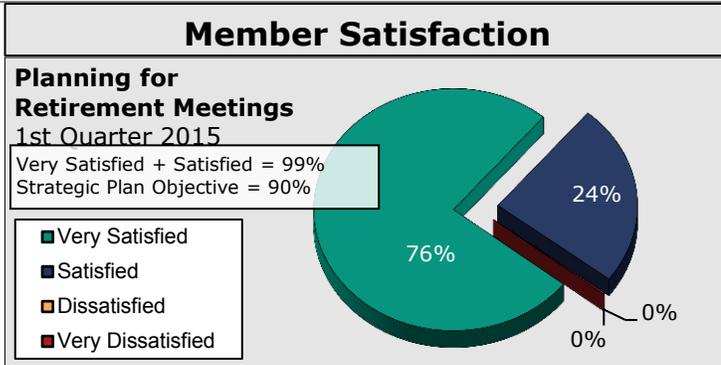
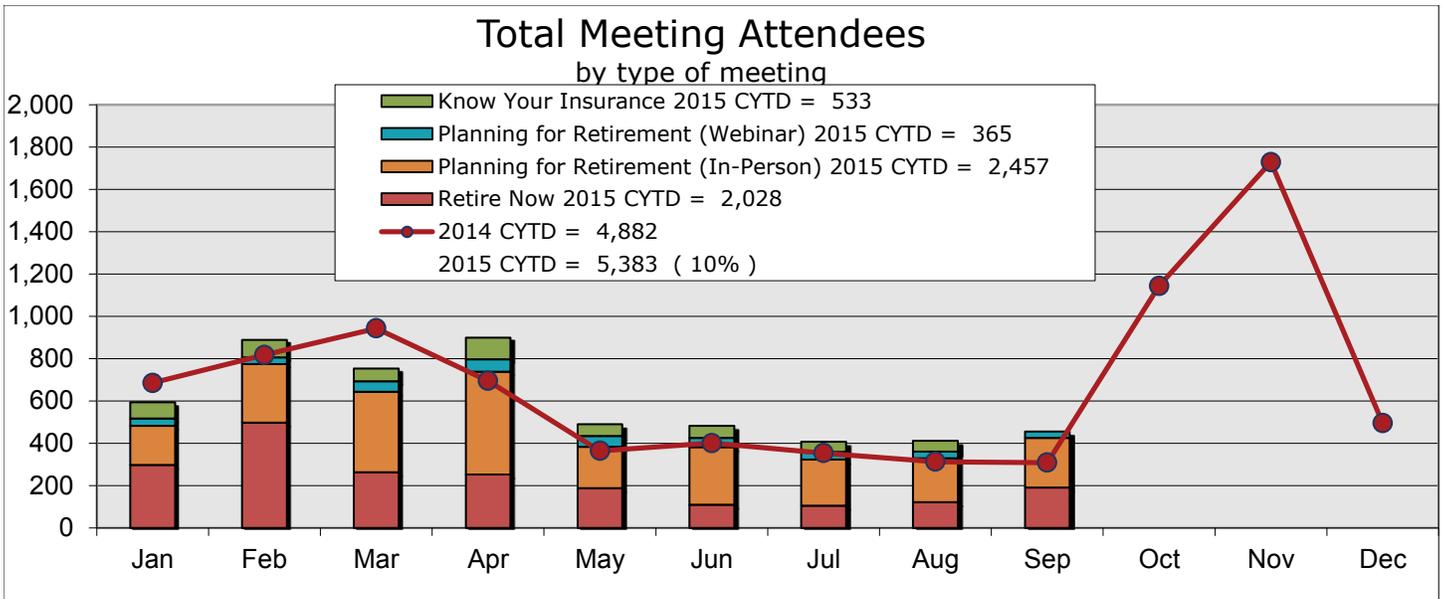


### E-mail Timeliness (average response in hours)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Average	9.7	15.6	14.9	15.9	10.7	8.1	14.0	17.7				

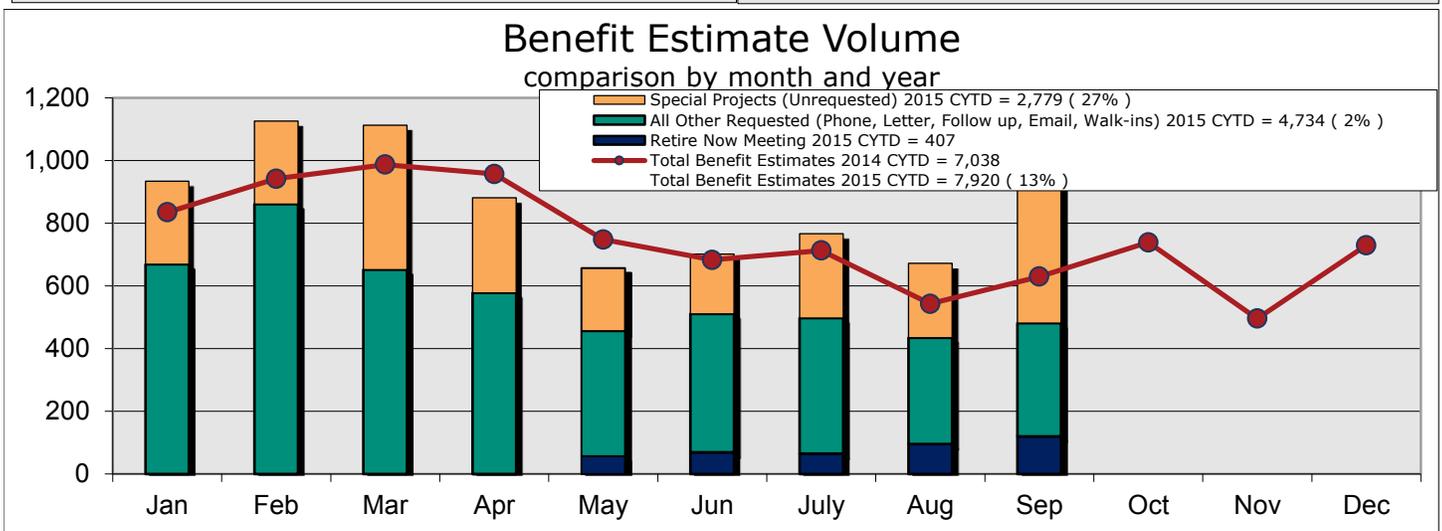
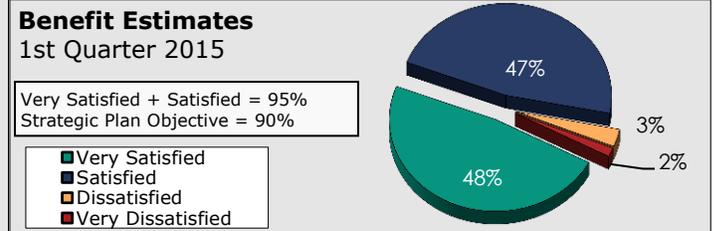


# Outreach Education and Benefit Estimates



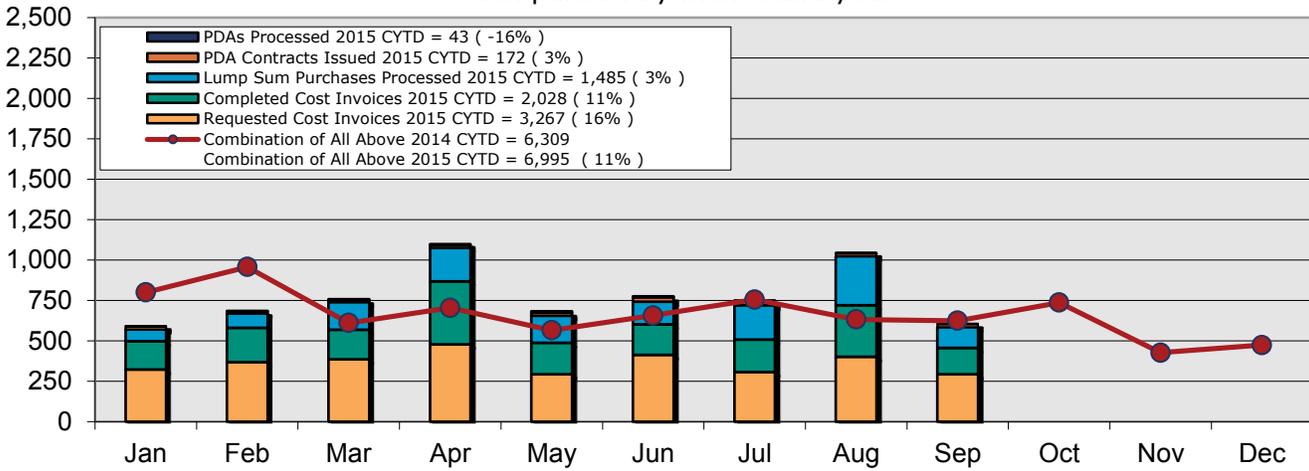
### Benefit Estimate Timeliness (average TAT in days)

1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec



# Service Purchase

## Total Volume comparison by month and year

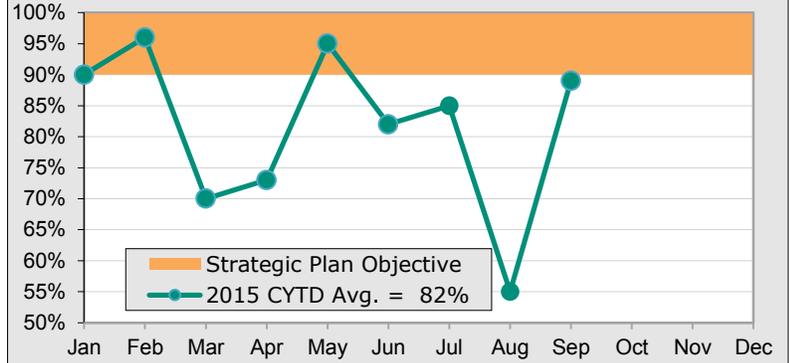


**Requests Pending**  
 as of September 30, 2015  
**Cost Invoices Pending**  
 494  
**Payments Pending**  
 13

## Lump Sum Timeliness percent within 5 business days



## Cost Invoices Timeliness percent within 10 business days



### Timeliness (average turnaround time in business days)

2	2	2	1	3	2	2	2	2			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

### Timeliness (average turnaround time in business days)

5	4	8	10	4	7	9	11	6			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

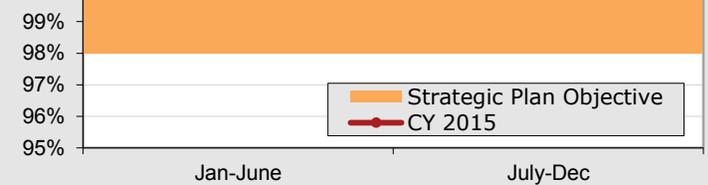
## Payroll Deduction Agreement Timeliness percent within 5 business days



### Timeliness (average turnaround time in business days)

1	1	4	2	2	1	1	2	3			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

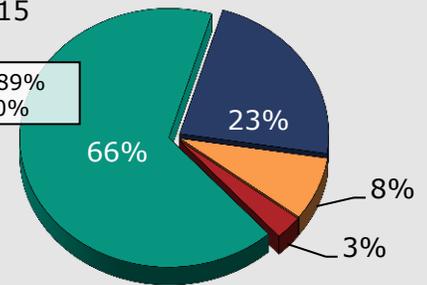
## Cost Invoice Quality Rating CY 2015



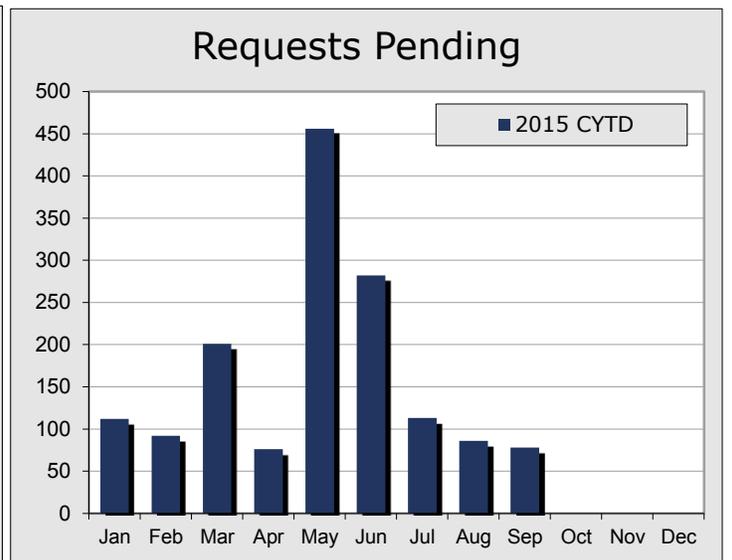
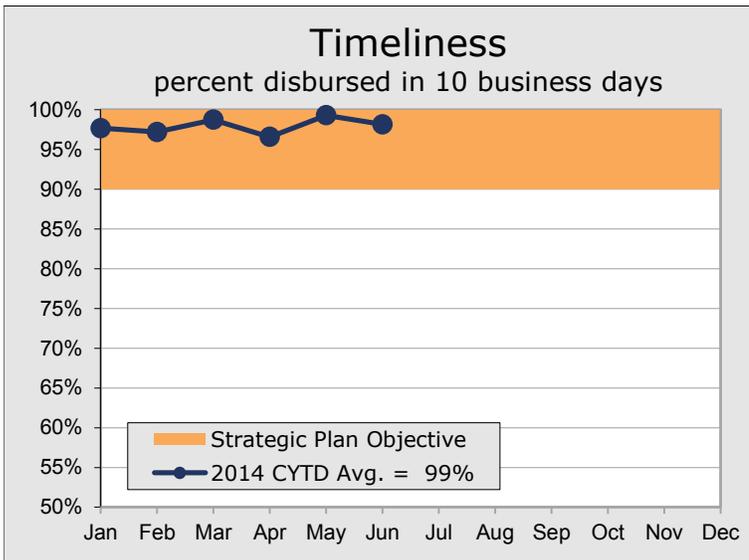
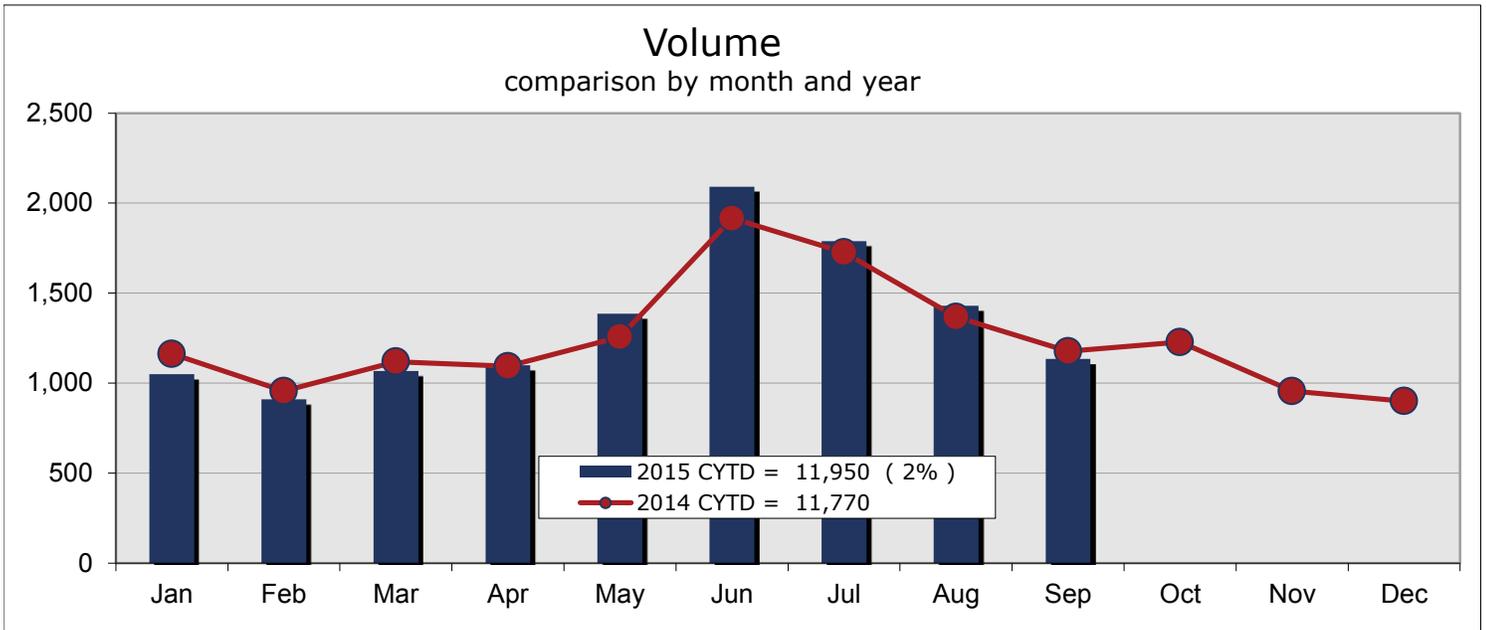
## Member Satisfaction 1st Quarter 2015

Very Satisfied + Satisfied = 89%  
 Strategic Plan Objective = 90%

- Very Satisfied
- Satisfied
- Dissatisfied
- Very Dissatisfied

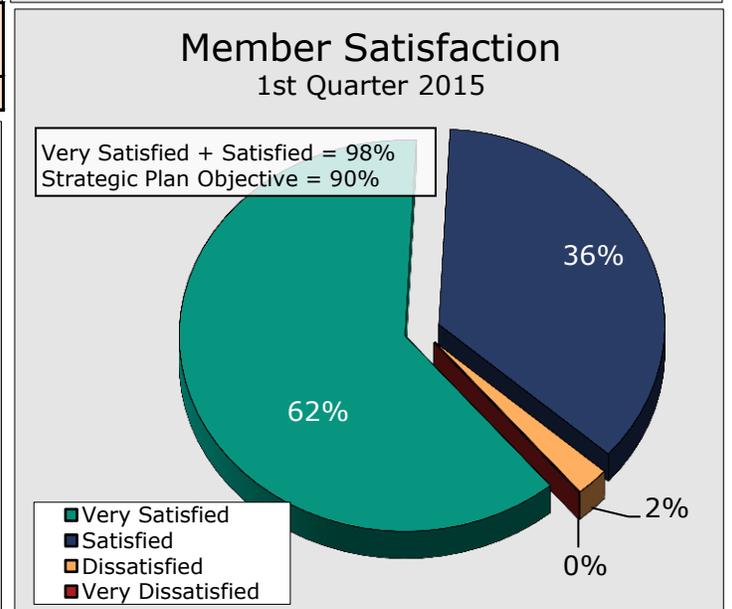
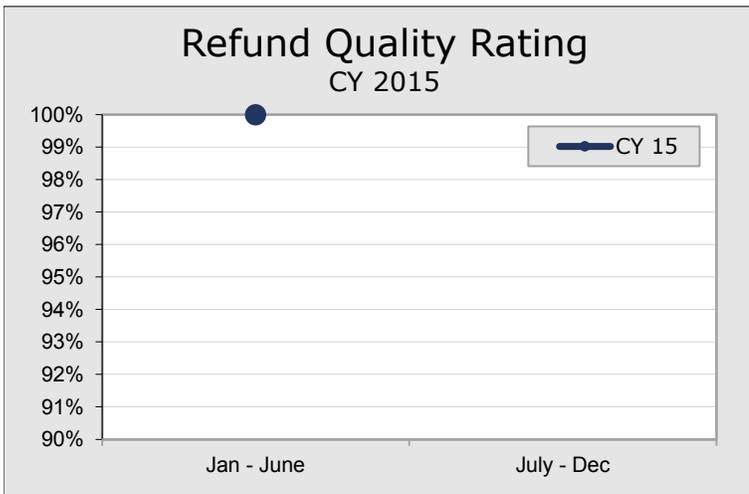


# Refunds



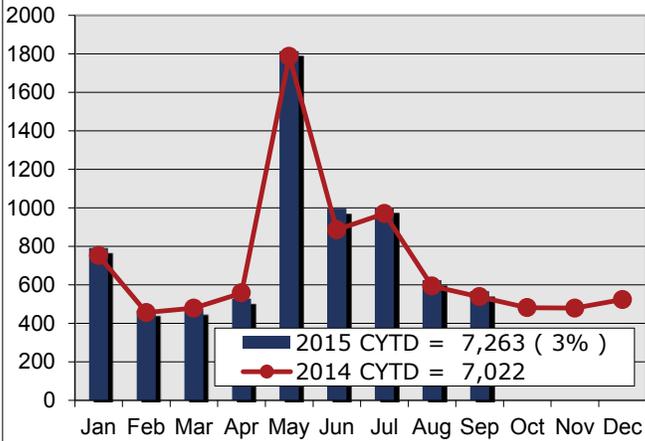
### Timeliness (average turnaround time in business days)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Avg. Turnaround	2	2	2	2	2	3	DNA	DNA	DNA			

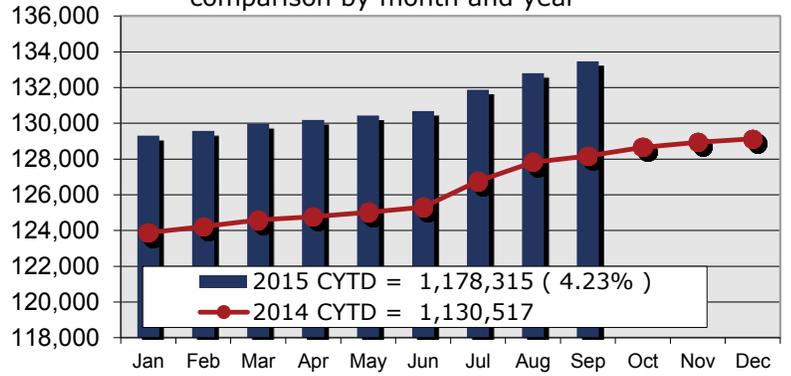


# New Retirees

### First Payment Volume comparison by month and year



### Pension Volume comparison by month and year



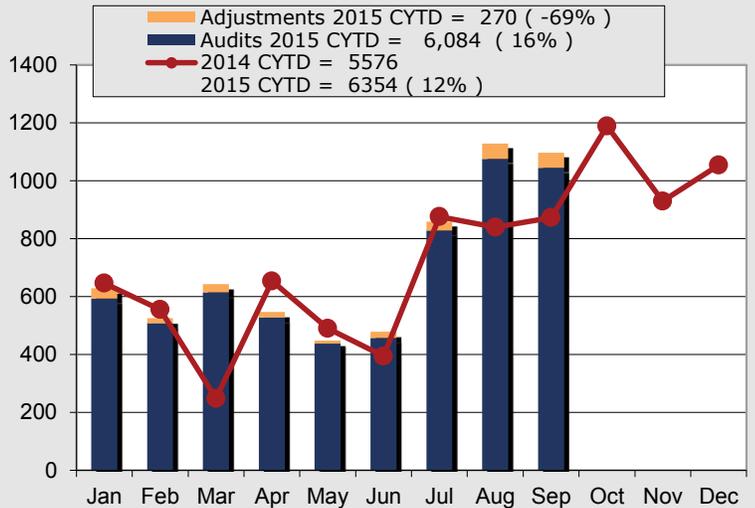
### Pension Payment (percent disbursed by 1st of the month)

100%	100%	100%	100%	99.9%	100%	100%	100%	100%			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

### First Payment Timeliness percent disbursed in 10 business days



### Audits & Adjustments comparison by month and year

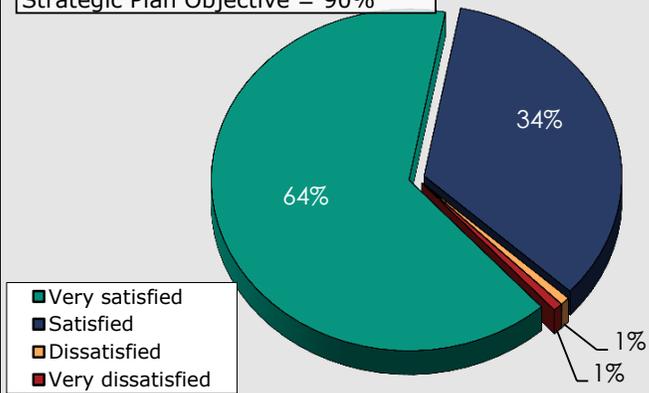


### First Payment Timeliness (average turnaround time in days)

4	7	8	9	3	6	5	6	6			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

### Member Satisfaction 1st Quarter 2015

Very Satisfied + Satisfied = 98%  
Strategic Plan Objective = 90%



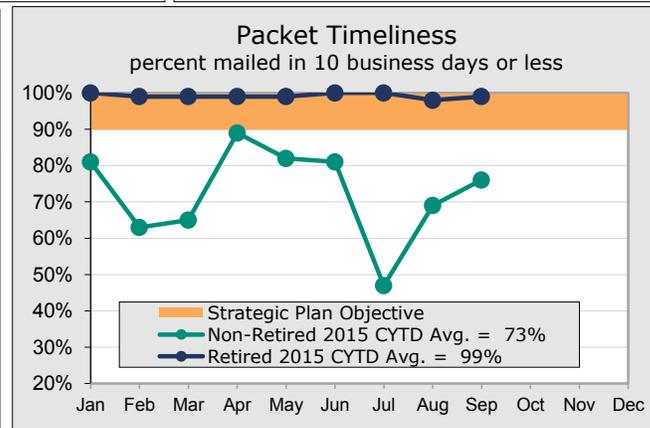
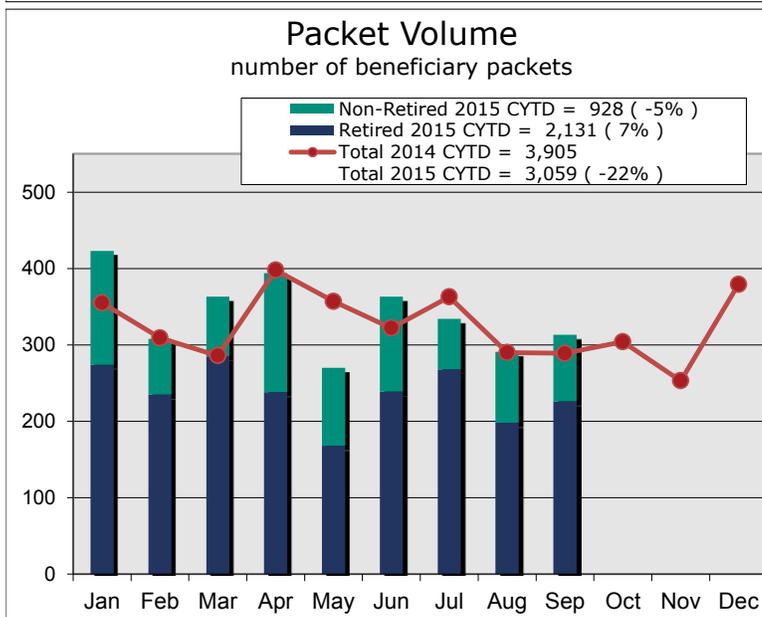
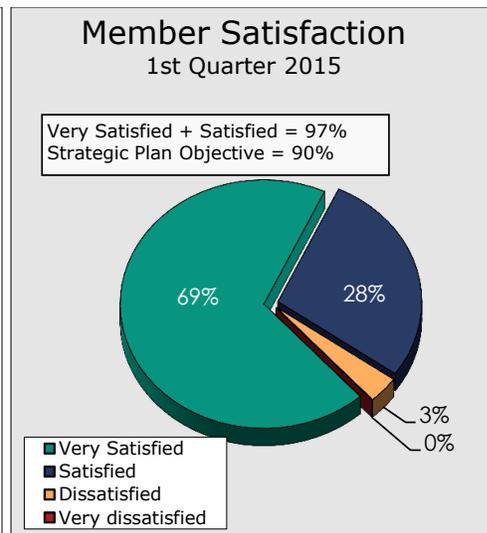
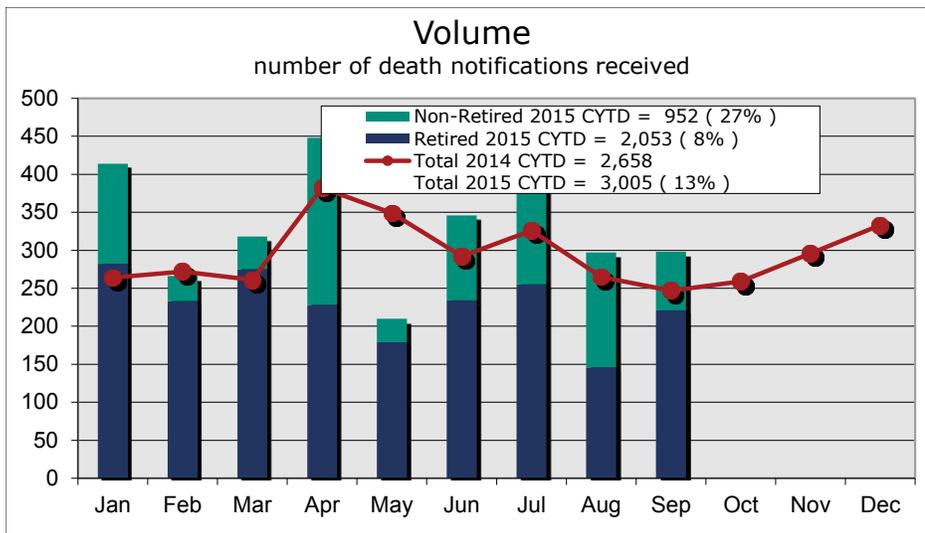
### Adjustments Timeliness Percent completed in 20 business days



### Adjustments Timeliness (average turnaround time in days)

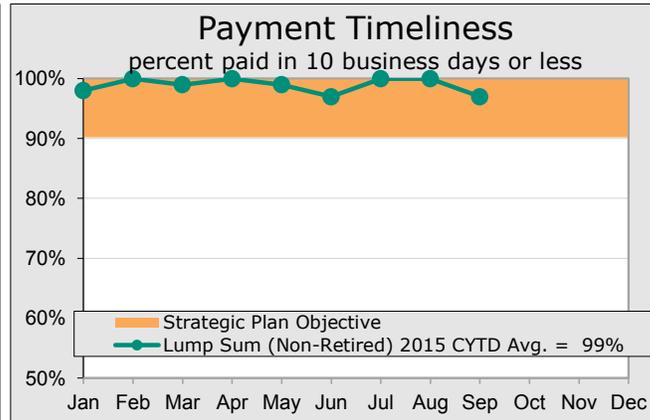
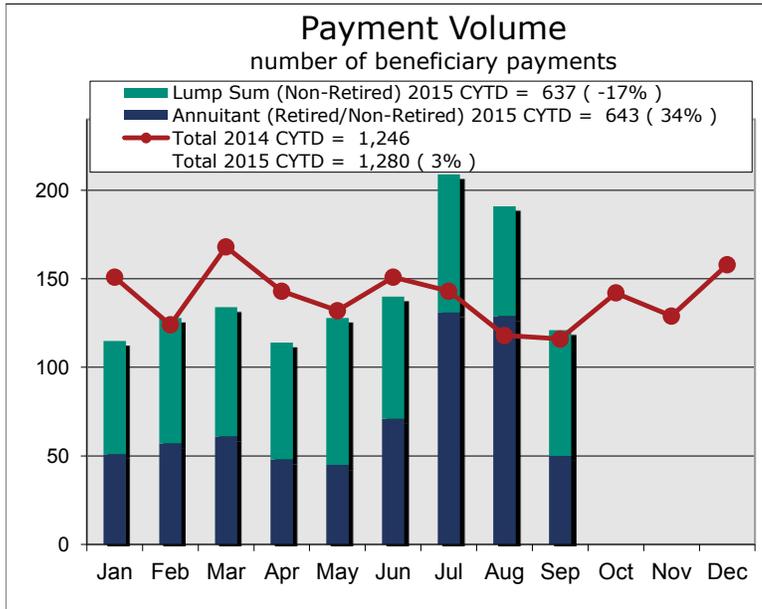
5	2	2	2	2	3	4	5	2			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

# Survivor Benefits



### Packet Timeliness (average TAT in days)

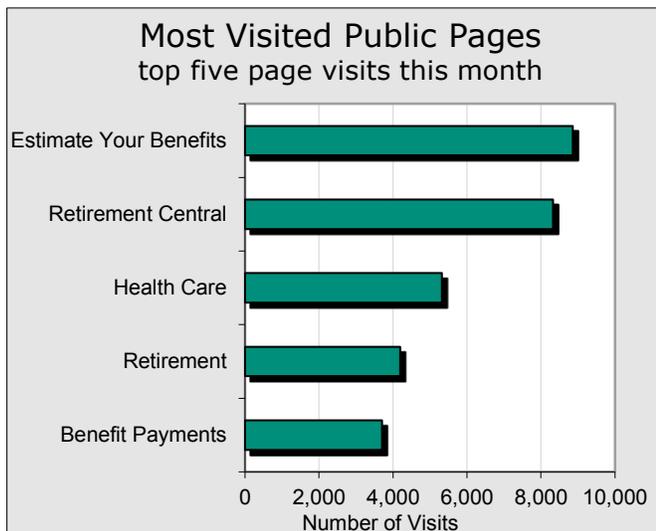
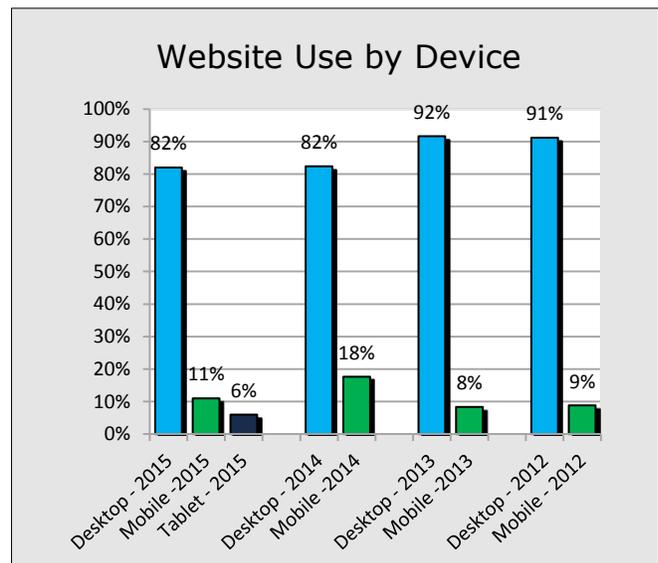
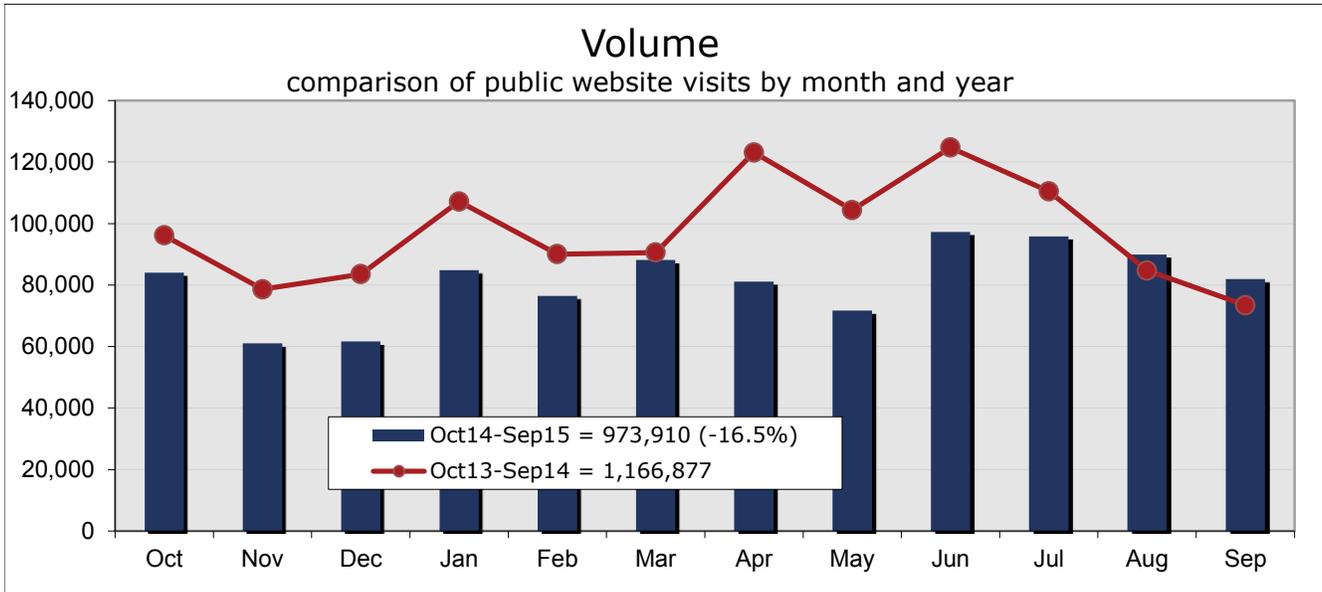
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Retired	2	2	2	2	2	2	2	2	2			
Non Retired	7	19	16	12	10	13	40	40	22			



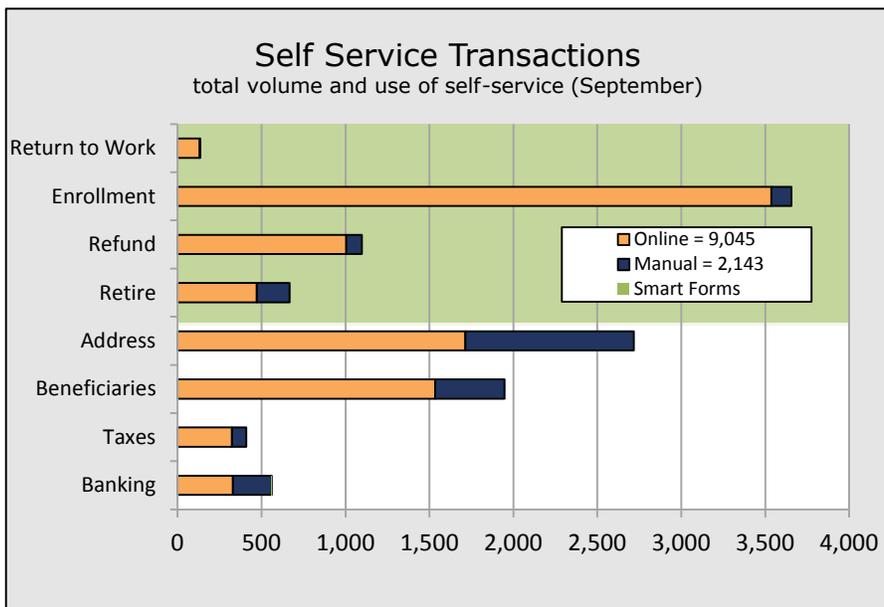
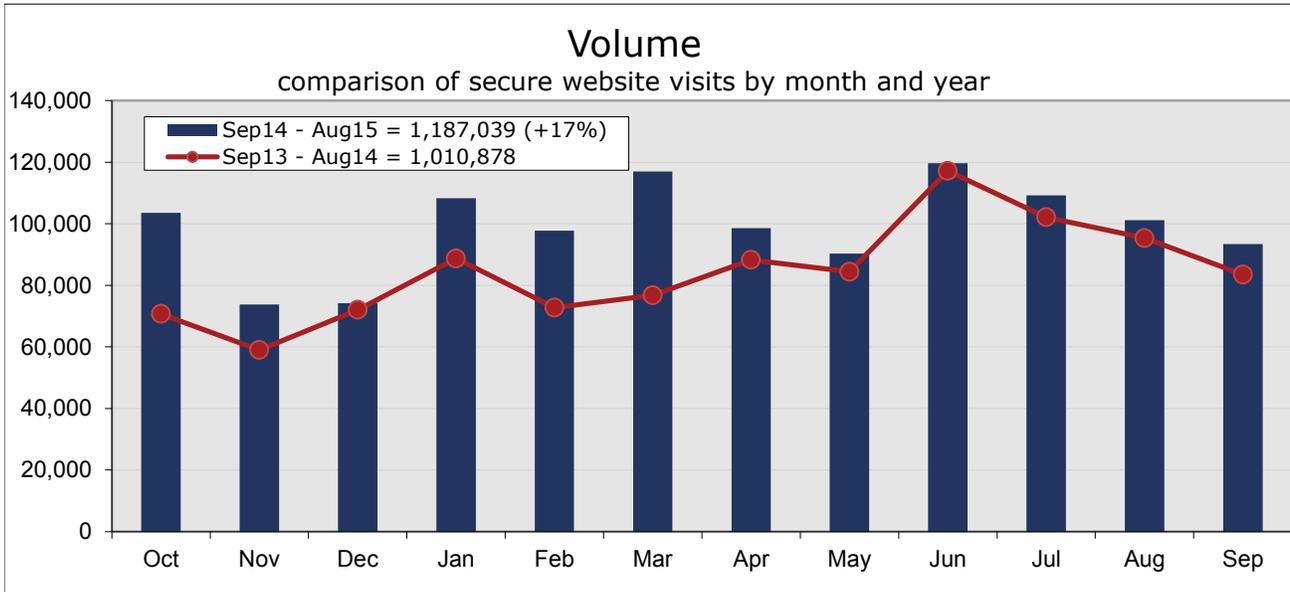
### Payment Timeliness (average TAT in days)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Lump Sum (Non-Retired)	2	2	2	2	3	3	4	3	5			

# Public Website: www.azasrs.gov



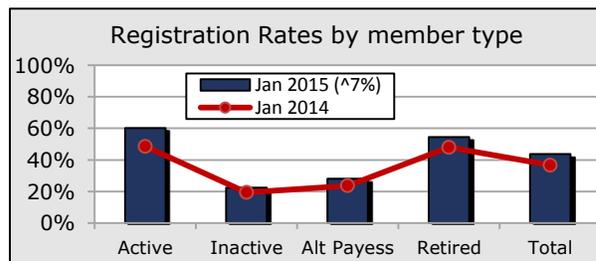
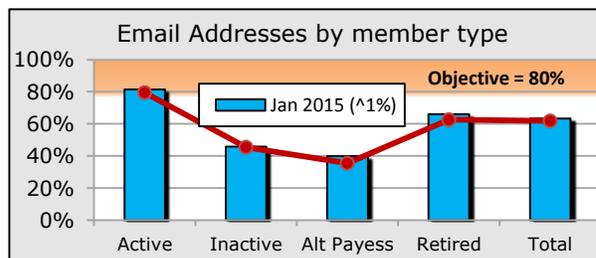
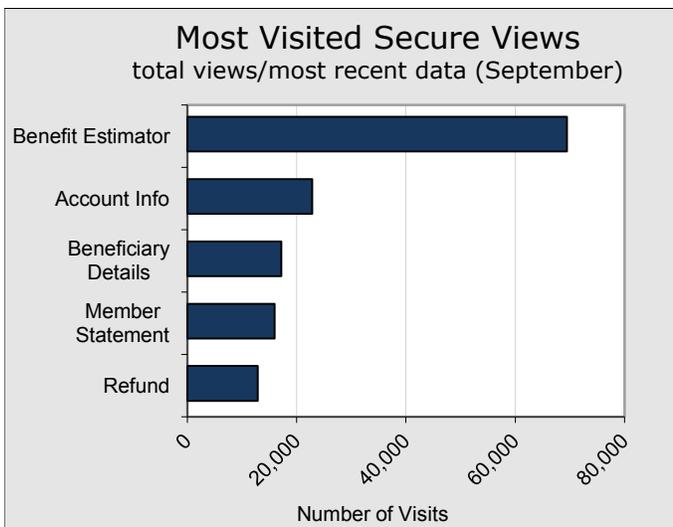
# Secure Website: secure.azasrs.gov



### Historical Comparison of Online Usage

	This month	12mo Min	12mo Max	12mo Avg	Objective
RTW	98%	39%	98%	77%	n/a
Enroll	97%	89%	99%	94%	99%
Ref	92%	88%	98%	92%	90%
Ret	71%	60%	71%	67%	90%
Add	71%	70%	86%	76%	75%
Bene	79%	52%	87%	71%	75%
Tax	79%	68%	88%	79%	75%
DD	59%	41%	59%	51%	75%

**Total online this month: 81%**



**Arizona State Retirement System**  
**FY 2016 Appropriated Budget**  
**(as of September 30, 2015)**

	APPROPRIATIONS FISCAL YEAR 2016	EXPENDED YTD	% EXPENDED
<b>OPERATING BUDGET</b>			
Personal Services	\$ 13,091,900	\$ 3,168,400	24.20%
Employee Related Expenses	\$ 5,063,500	\$ 1,250,800	24.70%
Professional & Outside Services	\$ 1,292,400	\$ 375,100	29.02%
Travel	\$ 79,900	\$ 18,900	23.65%
Other Operating Expenses	\$ 2,732,800	\$ 424,800	15.54%
Equipment	\$ 651,100	\$ 12,500	1.92%
Operating Subtotal	\$ 22,911,600	\$ 5,250,500	22.92%
<b>OTHER APPROPRIATIONS</b>			
Long Term Disability Administration	\$ 2,800,000	\$ 360,600	12.88%
Oracle Forms and Reports Modernization (Yr. 3)	\$ 2,270,000	\$ 205,500	9.05%
<b>TOTAL FY 2016 Appropriated Funds</b>	<b>\$ 27,981,600</b>	<b>\$ 5,816,600</b>	<b>20.79%</b>

	APPROPRIATIONS	EXPENDED PRIOR YEARS	EXPENDED CURRENT YEAR	% EXPENDED
<b>PRIOR YEAR APPROPRIATIONS (NON-LAPSING)</b>				
FY 2015 - Oracle Forms and Reports Modernization (Yr. 2)	\$ 4,484,500	\$ 1,463,600	\$ 107,600	35.04%
FY 2011 - HB 2389 - ASRS Plan Design Changes	\$ 1,341,700	\$ 1,247,100	\$ -	92.95%
FY 2011 - ASRS Operating Budget	\$ 20,570,100	\$ 19,901,200	\$ -	96.75%

## **Budget Summary for Fiscal Year 2016 As of September 30, 2015**

### **Operating Budget**

The operating budget information on the previous page is based on funding approved by the Board and the Legislature for fiscal year July 1, 2015 through June 30, 2016. These ASRS operating expenses are distinguished from other areas of ASRS spending authority: such as expenditures for investment management and benefits payments. Administrative salaries and employee benefits, supplies, equipment and ongoing operational costs associated with information and financial systems for the ASRS Board and ASRS employees are funded from the operating budget. Expenditures to date include seven pay periods (27% of the annual payrolls) of fiscal year 2016.

### **Other Appropriations**

Other appropriations, which are considered part of the annual budget, represent other appropriations for specific programs or services authorized by the Board and the Legislature.

- **Long Term Disability Administration Fund**  
The amount appropriated for the administration costs of the LTD program.
  
- **Oracle Forms and Reports Modernization**  
The amount appropriated (non-lapsing) for the third year of the software modernization project.

### **Non-Lapsing Appropriations for Legislative Initiatives**

The amount appropriated by the Legislature for the implementation of:

- FY 2015 - Oracle Forms and Reports Modernization (Yr. 2)
- FY 2011 - HB 2389 - ASRS Plan Design Changes
- FY 2011 - ASRS Operating Budget and LTD Admin
  - HB 2024, Section 93 modified the FY 2011 ASRS appropriations to be non-lapsing appropriations. The ASRS has the ability to utilize the unspent portion of these appropriations in ensuing fiscal years.

### **Explanation of Columns**

- 1) The *Appropriations* column represents funds that have been approved by the Legislature and the ASRS Board for FY 2016, and includes prior year legislative appropriations.
  
- 2) The *Expended* columns represent the expenditures to date.
  
- 3) The *% Expended* column identifies the portion of each line item that has been expended to date. This column is intended to be a guide to the rate of spending during the fiscal year.

## ASRS FISCAL YEAR 2016, CONTINUOUSLY APPROPRIATED REPORT

(with summarized Appropriated Expenses)

DESCRIPTION	EXPENDED YTD as of 9/30/15	ESTIMATED ANNUAL EXPENSES (Projections updated quarterly)	EST. ANNUAL EXPENSES AS % OF TOTAL AUM	EST. ANNUAL EXPENSES PER MEMBER
Custodial Banking, Security Lending and Master Cash STIF Fees	350,000	3,077,000		
Internal Investment Management (Salaries and Benefits)	428,000	1,750,900		
<u>Public Markets</u>				
External Investment Management Fees	-	70,320,800		
Transactional and Other Fees	72,000	2,109,600		
<u>Private Markets</u>				
Private Debt and Equity Management Fees	-	45,760,000		
Private Debt and Equity Performance Incentive and Other Fees	-	57,200,000		
Real Estate, Farmland and Timber and Infrastructure Management Fees	-	21,435,300		
Real Estate, Farmland and Timber and Infrastructure Performance Incentive and Other Fees	-	26,794,100		
Opportunistic Debt and Equity Management Fees	-	6,300,000		
Opportunistic Debt and Equity Performance Incentive and Other Fees	-	3,150,000		
<b>Investment Management Expenses</b>	<b>\$ 850,000</b>	<b>\$ 237,897,700</b>	<b>0.678%</b>	<b>\$ 432.31</b>
Investment Consulting Services	271,000	4,388,500		
Investment Related Legal Services	118,000	1,075,000		
Investment Electronic Information Services	135,000	2,000,000		
External Financial Consulting Services	-	75,000		
<b>Investment Related Consulting, Legal and Information Services</b>	<b>\$ 524,000</b>	<b>\$ 7,538,500</b>	<b>0.021%</b>	<b>\$ 13.70</b>
<b>Rent</b>	<b>371,000</b>	<b>1,505,000</b>	<b>0.004%</b>	<b>\$ 2.73</b>
<b>Actuarial Consulting Fees</b>	<b>46,000</b>	<b>925,000</b>	<b>0.003%</b>	<b>\$ 1.68</b>
<b>Retiree Payroll (Disbursement Administration)</b>	<b>585,000</b>	<b>3,655,400</b>	<b>0.010%</b>	<b>\$ 6.64</b>
<b>Total Continuously Appropriated Expenses</b>	<b>\$ 2,376,000</b>	<b>\$ 251,521,600</b>	<b>0.717%</b>	<b>\$ 457.06</b>
<b>*Total Current Year Appropriated Expenses</b>	<b>\$ 5,924,200</b>	<b>\$ 28,981,600</b>	<b>0.083%</b>	<b>\$ 52.67</b>
<small>* Includes estimated prior year non-lapsing appropriations of \$1,000,000 related to the Oracle Forms and Reports Modernization Project</small>				
<b>Total Expenses (Continuously Appropriated and Appropriated)</b>	<b>\$ 8,300,200</b>	<b>\$ 280,503,200</b>	<b>0.799%</b>	<b>\$ 509.73</b>

ASRS Estimated Total Market Value of Assets Under Management (AUM) as of June 30, 2015  
ASRS Total Membership as of June 30, 2014

\$ 35,101,600,000  
550,300

# Continuously Appropriated Expenses for FY 2016 Estimated Expenditures

The Arizona State Retirement System (ASRS) investment and administrative costs are expended in accordance with Arizona Revised Statutes (A.R.S.), Title 38, Chapter 5, Article 2, Section 38-721. A.R.S. Section 38-721, Subsection C, lists specific expenditures that are continuously appropriated and are allowable in the amount deemed necessary by the Board.

These specific expenditures are described below:

## 1. Investment management fees and related consulting fees necessary to meet the Board's investment objectives

### *Internal Investment management*

- ASRS Investment Management Division staff base salaries and employer portion of staff benefits and payroll taxes.

### *External investment management fees*

- Public Markets
  - External investment management fees (public).
  - Transactional and other fees include foreign taxes and commissions on derivatives and other incidental costs.
- Private Markets
  - Private Debt and Equity, Real Estate, Farmland and Timber and Infrastructure and Opportunistic Debt and Equity investment management fees.
  - Performance incentive fees include performance incentives and carried interest, which are only paid upon successful performance of the manager after other return hurdles are met. Other fees are the ASRS proportional share of the transactional and operational cost of the underlying investment structure. Each of these fees is only paid if earned or incurred, and therefore may vary each quarter.

### *Consulting fees*

- Includes investment related consulting and legal fees, electronic information services and subscriptions, custodial banking administrative fees, external auditing service fees.

## 2. Rent

- Costs associated with rent as tenants for occupancy in the 3300 Tower in Phoenix and in the satellite office in Tucson.

## 3. Actuarial consulting fees

- Costs associated with actuarial services related to plan design, administration and valuations.

## 4. Retiree Payroll

- Costs associated with administering retiree pension benefits and disbursements, including third-party payroll administration fees, postage and benefit related consulting fees and the beginning phase of the ASRS Benefit Disbursement project.

The report includes projected expenditures for the current fiscal year. Actual expenditures are reported monthly and estimated annual expenses are reviewed and adjusted quarterly. The ASRS Estimated Total Market Value of Assets Under Management (AUM) and ASRS Total Membership values are updated as period ending amounts are finalized.

**Arizona State Retirement System  
Staffing Report  
(September 30, 2015)**

ASRS by Division	252 Full Time Equivalents (FTEs)	New Hires	New Exits	Vacancies	Vacancy Rate
Administrative Services Division (ASD)	16	0.0	0.0	1.5	9.38%
Director's Office (DIR)	15	0.0	0.0	0.0	0.00%
External Affairs (EAD)	3	0.0	0.0	0.0	0.00%
Financial Services (FSD)	62	3.0	1.0	10.75	17.34%
Technology Services (TSD)	52	1.0	0.0	7.0	13.46%
Internal Audit (IAD)	6	1.0	0.0	1.0	16.67%
Investment Management (IMD)	12	0.0	0.0	2.0	16.67%
Member Services (MSD)	86	0.0	1.0	3.75	4.36%
	<b>252</b>	<b>5.0</b>	<b>2.0</b>	<b>26.00</b>	<b>10.32%</b>

Turnover	September 2015 New Hires	September 2015 Exits	Total Exits (Last 12 Months)	Annualized Turnover %
	5.0	2.0	26	11.27%

**Recruitments**

Beginning February 2015, all ASRS recruitments were placed on hold until further notice due to the State of Arizona Hiring Freeze. Specific ASRS positions are critical to the core functions and operations of the agency and if left unfilled will negatively impact the agency's ability to meet goals and objectives. Recruitment for these "mission critical" positions may proceed after hiring supervisors complete and submit appropriate justification documents and upon approval of the agency director. In some instances, these additional steps have extended the recruitment turnaround time and contributed to the yellow or red status of some business units as noted in the following pages. We continue to work within the State of Arizona Hiring Freeze guidelines implemented February 2015.

To date, thirty-six positions have been approved as Mission Critical.

- Twenty five positions have been filled
  - Filled Internally (Current ASRS employees have been hired into the vacant positions, no change to ASRS FTE count)
    - FSD Accountant I, FSD Accountant II, FSD Accounting Analyst, FSD Accounting Technology Specialist, FSD Investment Accountant, FSD Management Analyst III, FSD Membership Accounting Manager, MSD Retirement Advisor Supervisor
  - Filled Externally (New employee to the ASRS hired into the vacant position, increase to ASRS FTE count)
    - AUD Audit Officer, FSD Accountant I, FSD Accountant II, FSD FSS III, FSD Fiscal Services Unit Manager (start date 11/02/2015), MSD Retirement Advisor Seniors (3), MSD Retirement Benefit Technician, TSD SR Automation Developer, TSD Senior Information Security Engineer, TSD Network Specialist II, TSD IT Security Engineer, TSD PM/BA, TSD Software Engineers (2), TSD Tech Lead
- Eight positions are under recruitment – ASD Procurement Officer, FSD Accountant II, FSD Fiscal Services Specialist III (2), FSD Mailroom/Printing Specialist, MSD Benefits Program Administrator, TSD Filenet Workflow Developer, TSD Information Security Officer
- Three recruitments have not yet commenced – FSD FSS III, FSD Management Analyst IV, TSD Information Security Engineer

## Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: <span style="color: green;">Green</span> = Normal risk <span style="color: orange;">Yellow</span> = Greater than normal risk <span style="color: red;">Red</span> = Negative impact			
MSD	MAC (Call Center)	● ○ ○	
MSD	One-on-one Counseling (Appointments/Walk-ins)	● ○ ○	
MSD	E-mail and Written Correspondence	● ○ ○	
MSD	Outreach Education	● ○ ○	
MSD	Tucson: Appointments/Walk-ins/Outreach	● ○ ○	
MSD	Benefit Estimates	● ○ ○	
MSD	Employer Relations	● ○ ○	
MSD	Health Insurance/LTD Benefits Administration and Communication	○ ● ○	Recruiting is underway for the HI/LTD Benefits Administrator. MSD staff responsibilities have been shifted within the Outreach team to fill the gap until the Administrator is hired. Greater than normal risk will remain until the position is filled.
MSD	Survivor Benefit Processing	● ○ ○	
MSD	Refund Processing	● ○ ○	
MSD	New Retiree Processing	● ○ ○	

## Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: <span style="color: green;">Green</span> = Normal risk <span style="color: orange;">Yellow</span> = Greater than normal risk <span style="color: red;">Red</span> = Negative impact			
MSD/FSD	Service Purchase Processing		The Service Purchase process is going through a modernization project which is requiring significant staffing resources. Greater than normal risk will remain until the Service Purchase project is completed.
FSD	Monthly Pension Payroll Processing		
FSD	New Retiree Processing		During September 2015, the New Retirees strategic objectives were not met. Current staffing levels are unable to meet the business needs. Three FTEs started in September and recruitment is underway to fill one vacant position; however negative impact will remain until the vacant position is filled and the newly hired staff is fully trained.
FSD	Survivor Benefit Processing		
FSD	Records Management (data processing/imaging)		The mailroom and printing team are meeting work expectations when all staff are present. During leave requests and unexpected absences a Network Specialist I FTE is filling in for the Mailroom/Printing Specialist. Review and analysis of missing member data including an outreach plan to employers regarding missing member enrollments are on hold until the Records Management Supervisor position is filled.
FSD	LTD/Health Benefit Supplement Processing		During the month of August, one of two Fiscal Services Specialist III positions was vacated within the FSD Health Insurance team. With this change in staffing and the onset of ADOA and ASRS HI open enrollment, the team will be at a greater risk of meeting their strategic goals and strategic priorities.
FSD	Transfer Processing		
FSD	General Accounting		

## Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: <b>Green</b> = Normal risk <b>Yellow</b> = Greater than normal risk <b>Red</b> = Negative impact			
FSD	Contribution Collections and Posting	○●○	During the month of August, one of four Fiscal Services Specialist III positions was vacated within the FSD Contribution Accounting Team. The team also has a relatively new employee who is still in training. Greater than normal risk will remain until the vacant position is filled and the new employee is fully trained.
TSD	Network Support	○●○	The Network Support team continues to struggle to meet their business needs and strategic objectives due to insufficient staffing. The Information Security Officer FTE separated in August and recruitment is underway. The remaining security position recruitments will resume once the Information Security Officer recruitment has been completed. Greater than normal risk will remain until the remaining positions are filled and staff is fully trained.
TSD	Business Applications Development and Support	○●○	<p>The planned workload requires a complement of 44 total resources (31 FTEs and 13 external resources). Our current complement of resources for September 2015 was 43 (28 FTEs and 15 external resources).</p> <p>One external staff Report Developer, one external staff System Tester and a full time Project Manager/Business Analyst started in September 2015.</p> <p>In October a second external staff Report developer, an external staff Java developer, a full time Technical Lead and a full time System Tester will be joining TSD Business Applications Development and Support.</p> <p>Recruitment for the full time Workflow developer is underway.</p> <p>In summary, over the past several of months, we have lost 7 resources (4 full time and 3 external staff), we have hired 7 resources (3 full time and 4 external staff) and we are recruiting for 1 full time Workflow developer resource. We anticipate some productivity loss over the next six months due to the loss of institutional knowledge and orientation/training of recently hired staff.</p>

## Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: <b>Green</b> = Normal risk <b>Yellow</b> = Greater than normal risk <b>Red</b> = Negative impact			
IMD	Investment Management	●○○○	
DIR	Board/Executive Staff Support	●○○○	
DIR	Strategic Planning/Analysis	●○○○	
DIR	Strategic Communications	●○○○	
DIR	Public Affairs	●○○○	
IA	Internal Audit	●○○○	
EA	Rule Writing	●○○○	
EA	Legislative Relations	●○○○	
ASD	Human Resources	●○○○	
ASD	Training and Development	●○○○	
ASD	Contracts and Procurement	○○●○	Current staffing struggled to meet the strategic objectives in September 2015 due to the combined effect of the vacancy of the Chief Procurement Officer role, (that had previously been provided by ADOA), and the vacant ASRS Procurement Officer position. While a current ASRS team member is currently assuming the role of Chief Procurement Officer along with other duties, mission critical status has been approved and recruitment for the vacant Procurement Officer

## Impact of Staffing (Vacancies, Recruitments, Internal Transfers) on ASRS Operational Performance

Agency Divisions	Services and Functions	Staffing Impact	Comments
Impact of Staffing on ASRS Operations: <b>Green</b> = Normal risk <b>Yellow</b> = Greater than normal risk <b>Red</b> = Negative impact			
			position is underway. Greater than normal risk will remain until the additional staffing has been hired and trained.
ASD	Facilities Management	● ○ ○	
ASD	Budget Administration	● ○ ○	

## ASRS Third Quarter 2015 Out of State Travel Expenditures

\*Numbers are Unaudited

<u>Date</u>	<u>Purpose</u>	<u>Location</u>	<u>Attendee</u>	<u>Cost</u>
June 28-29, 2015	Due Diligence - White Oak	San Francisco, CA	Al Alaimo	\$376.73
July 2-24, 2015	Due Diligence - White Oak	San Francisco, CA	Gary Dokes	\$341.25
July 26-29, 2015	NCSSSA Conference, Seattle, WA	Seattle, WA	Michele Briggs	\$1,842.74
July 31-August 5, 2015	NASRA Conference	Monterey, CA	Brian Crockett	\$2,822.30
August 1-3, 2015	NASRA Conference	Monterey, CA	Gary Dokes	\$1,033.04
August 1-5, 2015	NASRA Conference	Monterey, CA	Dave Cannella	\$2,647.80
August 3-6, 2015	NCSL Conference	Seattle, WA	Nick Ponder	\$2,032.80
August 6-9, 2015	DEF CON 2015	Las Vegas, NV	Derek Siglow	\$1,029.16
August 6-9, 2015	DEF CON 2015	Las Vegas, NV	Gerardo Lara	\$1,051.68
August 6-9, 2015	DEF CON 2015	Las Vegas, NV	Andrew Bruner	\$973.43
August 24, 2015	Due Diligence - Buchanan and Forest City	Ontario, CA Los Angeles, CA	Karl Polen	\$203.68
September 21-23, 2015	NEPC Client Meeting and State Street Due Diligence	Boston, MA	Paul Matson	\$1,185.04
			<b>Total:</b>	<b>\$15,539.65</b>

\*Final amounts may vary due to adjustments in per diem and reimbursements.

**ARIZONA STATE RETIREMENT SYSTEM**  
**COMBINED STATEMENT OF CHANGES IN TOTAL FUND CASH**  
**FOR THE MONTH ENDED SEPTEMBER 30, 2015**

	Retirement Plan Fund	Retirement System Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Current Period September	Fiscal 2016 YTD September	Fiscal 2015 YTD September
<b>ADDITIONS</b>							
Contributions							
Member contributions	\$ 83,942,771	\$ 2,560	\$ -	\$ 888,285	\$ 84,833,616	\$ 224,379,524	\$ 224,947,688
Employer contributions	80,403,662	2,560	3,700,821	888,169	84,995,211	228,174,189	225,659,016
Alternative contributions (ACR)	2,070,463	-	29,352	13,547	2,113,362	5,132,989	5,273,709
Transfers from other plans	398,254	-	-	-	398,254	625,505	237,658
Purchased service	2,245,952	-	-	-	2,245,952	7,817,314	7,587,104
<b>TOTAL CONTRIBUTIONS</b>	<b>169,061,102</b>	<b>5,119</b>	<b>3,730,173</b>	<b>1,790,002</b>	<b>174,586,396</b>	<b>466,129,521</b>	<b>463,705,175</b>
<b>DEDUCTIONS</b>							
Investment management fees	3,907,024	-	-	63,605	3,970,629	17,460,780	18,369,583
Custody fees	-	-	-	-	-	-	-
Consultant and legal fees	482,027	-	-	-	482,027	598,770	947,418
Internal investment activity expense	27,775	-	-	-	27,775	398,513	459,183
Retirement and disability benefits	226,271,123	3,175,506	7,837,791	5,212,991	242,497,410	735,250,404	705,512,843
Survivor benefits	3,656,305	-	-	-	3,656,305	9,286,929	9,269,801
Refunds to withdrawing members, including interest	23,600,110	-	-	-	23,600,110	83,527,671	76,103,403
Administrative expenses	3,291,951	-	-	360,573	3,652,524	7,826,992	7,291,935
Transfers to other plans	34,192	-	-	-	34,192	223,203	196,788
Other	-	-	-	-	-	9,655	4,269
<b>TOTAL DEDUCTIONS</b>	<b>261,270,507</b>	<b>3,175,506</b>	<b>7,837,791</b>	<b>5,637,169</b>	<b>277,920,972</b>	<b>854,582,916</b>	<b>818,155,224</b>
<b>INCREASE (DECREASE)</b>	<b>(92,209,405)</b>	<b>(3,170,386)</b>	<b>(4,107,618)</b>	<b>(3,847,167)</b>	<b>(103,334,575)</b>	<b>(388,453,396)</b>	<b>(354,450,049)</b>
From securities lending activities:							
Security loan program	482,644	-	-	-	482,644	1,724,556	407,891
Security loan interest expense / (Rebate)	(78,644)	-	-	-	(78,644)	(484,417)	(77,676)
* Net income from securities lending activities	561,288	-	-	-	561,288	2,208,973	485,567
Capital Calls / (Distributions)							
Farmland and Timber	-	-	-	-	-	12,144,186	10,377,907
Infrastructure	-	-	-	-	-	-	-
Opportunistic Debt	(2,418,365)	(24,680)	(109,933)	-	(2,552,978)	41,969,551	122,227,066
Opportunistic Equity	6,859,277	69,072	305,087	-	7,233,435	16,065,049	20,114,589
Private Debt	179,724,852	1,739,666	8,184,133	-	189,648,652	290,878,084	37,524,644
Private Equity	(12,141,825)	-	(535,352)	-	(12,677,177)	69,189,366	69,087,815
Real Estate	144,271,083	1,406,220	6,539,587	-	152,216,890	225,055,452	(59,828,549)
<b>TOTAL Capital Calls</b>	<b>316,295,023</b>	<b>3,190,278</b>	<b>14,383,522</b>	<b>-</b>	<b>333,868,822</b>	<b>655,301,688</b>	<b>199,503,472</b>
<b>NET INCREASE (DECREASE)</b>	<b>\$ (407,943,139)</b>	<b>\$ (6,360,664)</b>	<b>\$ (18,491,139)</b>	<b>\$ (3,847,167)</b>	<b>\$ (436,642,110)</b>	<b>\$ (1,041,546,111)</b>	<b>\$ (553,467,954)</b>

\* Securities lending activities reported on a one month lag.

## OUTSTANDING ASRS APPEALS

Date Received	Appeals	Issues/Questions Regarding	Status/Comments
04/16/2012	Arizona State University	Appellant is disputing an ASRS employer termination incentive program invoice in the amount of \$1,149,000.	ASU appealed to the AZ Court of Appeals 02/12/2014. Case No. CA-CV 14-0083. Final Opinion issued on 05/05/2015 reversing the Superior Court's decision affirming the ruling of the ASRS Board. ASRS Motion for Reconsideration Denied 05/21/2015. ASRS Petition for Review filed 6/29/2015. ASU Application for Attorneys' Fees in the amount of \$114,493.00 denied on 7/24/2015. ASU Response to Petition for Review filed 8/28/2015. <b>Awaiting AZ Supreme Court's decision regarding review.</b>
07/14/2014	Richard K. Hillis & Sharon Di Giacinto	Appealing the ASRS determination that a Domestic Relations Order term is unacceptable.	Board upheld Administrative Law Judge Decision on 01/30/2015. Appellant filed Notice of Appeal on 02/02/2015 with the AZ Superior Court, Case No. LC2015-000048. Oral Argument held 07/29/2015. <b>Superior Court Decision in favor of the ASRS issued on 9/25/15. Appellant Di Giacinto appealed to AZ Court of Appeals on 9/30/2015.</b>
12/17/2014	The Griffin Foundation	Appellant is appealing the ASRS determination that the Appellant owes contributions from October 2010 to present for its employees.	OAH hearing held on 05/14/2015 and 07/09/2015. <b>ALJ Decision affirming ASRS decision issued on 10/2/2015. Decision on 12/4/2015 Board agenda.</b>
02/06/2015	David Lara	Appealing ASRS method of payment of Maria Cardenas' refund benefit.	OAH hearing held on 03/31/2015. Board affirmed Decision with modifications on 8/28/2015. Appellant filed an Application for Attorneys' Fees with OAH. ASRS Response to Application filed 9/8/2015. <b>ALJ awarded Appellant Attorneys' Fees of \$32,640.24 on 9/25/2015.</b>
03/16/2015	Mehrzaad Khorsandi	Appealing ASRS decision not to accept application for Contributions Not Withheld for Service 1998-1999.	OAH hearing held on 05/11/2015. Board affirmed Decision with modifications on 8/28/2015. <b>Appellant's Motion for Reconsideration filed on 10/2/2015. Motion on ASRS Board 10/30/2015 agenda.</b>
05/11/2015	Robert Merritt	Appealing ASRS calculation method of service transfer credit.	ALJ Decision affirming ASRS decision. <b>Board accepted Decision with technical modifications on 9/25/2015.</b>
08/24/2015	Amy Smith	Appealing an overpayment in the amount of \$2,136.56.	OAH hearing scheduled for 10/16/2015.

Information as of October 13, 2015. Updates are noted in bold font.

# OUTSTANDING ASRS APPEALS

09/02/2015 Donald Smith Appealing ASRS calculation method of his Domestic Relations Order. OAH hearing scheduled for 10/26/2015.

10/05/2015 Cynthia Odom Appealing ASRS determination on return to work requirements. **OAH hearing scheduled for 12/1/2015.**



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## MEMORANDUM

**TO:** Mr. Kevin McCarthy, Chair, Arizona State Retirement System (ASRS) Board  
**FROM:** Mr. Paul Matson, Director  
**DATE:** October 22, 2015  
**RE:** Delinquent Employers

As of October 22, 2015, the following employers have failed to remit contributions by a date certain. These employers have received a letter advising them that the ASRS will initiate collection procedures unless they contact us within five days:

No Az Academy For Career Develop	\$20,000.00*
Intelli-School Charter	\$5,000.00*
Starshine Academy	\$10,000.00*
Great Expectation Academy	\$14,000.00*
Destiny School (Charter)	\$24,000.00*
Colorado River Sewage System	\$3,500.00*
Sonoita-Elgin Fire District	\$500.00*
Town Of Miami	<u>\$6,500.00*</u>
<b>Total</b>	<b>\$83,500.00*</b>

\*Estimated Total

Additionally, the following employer has filed for Chapter 11 Bankruptcy Protection and are delinquent in their ASRS contributions:

Luz Academy Of Tucson	\$ 18,600.00*
<b>Total</b>	<b>\$102,100.00*</b>