



ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson
Director*

AGENDA

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

3300 North Central Avenue, 10th Floor Board Room
Phoenix, AZ 85012

May 23, 2014
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, May 23, 2014, beginning at 8:30 a.m., in the 10th 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 RemarksMr. Tom Manos
Board Chair

2. Presentation Regarding PRIDE Award for Results (estimated time 5 minutes to 8:35 a.m.)
.....Mr. Anthony Guarino
Deputy Director and Chief Operations Officer

3. Approval of the Minutes of the April 25, 2014 Public Meeting of the ASRS Board (estimated time 1
minute to 8:36 a.m.)Mr. Tom Manos

4. Presentation, Discussion, and Appropriate Action Regarding a Study of Pre-retirement Salary
Changes (estimated time 45 minutes to 9:21 a.m.)Mr. Paul Matson
Director
.....Mr. Brian Crockett
Management Analyst
.....Mr. Charlie Chittenden
Actuary, Buck Consultants

5. Presentation, Discussion, and Appropriate Action Regarding Strategic Topics to be Discussed by the Board During Fiscal Year 2015 (estimated time 20 minutes to 9:41 a.m.)Mr. Paul Matson

6. Notification of Upcoming Board Elections to Occur at the June 27, 2014 Board Meeting (estimated time 5 minutes to 9:46 a.m.)Mr. Tom Manos

7. Presentation, Discussion, and Appropriate Action Regarding the Director's Report as well as Current Events (estimated time 5 minutes to 9:51 a.m.)Mr. Paul Matson
.....Mr. Anthony Guarino
Deputy Director and Chief Operations Officer
 - a. 2014 Compliance Report
 - b. 2014 Investments Report
 - c. 2014 Operations Report
 - d. 2014 Budget and Staffing Reports
 - e. 2014 Cash Flow Statement
 - f. 2014 Appeals Report
 - g. 2014 Employers Reporting

8. Presentation and Discussion with Respect to Informational Updates from Prior and Upcoming Committee Meetings (estimated time 15 minutes to 10:06 a.m.)
 - a. Operations and Audit Committee (OAC)..... Mr. Jeff Tyne, Chair
.....Mr. Anthony Guarino
The next OAC Meeting will be held on June 10, 2014
 - b. External Affairs Committee (EAC).....Mr. Kevin McCarthy, Chair
.....Mr. Patrick Klein
The next EAC Meeting will be held on September 12, 2014
 - c. Investment Committee (IC) Mr. Tom Connelly, Chair
.....Mr. Gary Dokes
The next IC Meeting will be held on June 23, 2014

9. Board Requests for Agenda Items (estimated time 1 minute to 10:07 a.m.).....Mr. Tom Manos

10. Call to the PublicMr. Tom Manos

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(G) 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.

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 discussion or consultation for legal advice.

- 11. Presentation, Discussion, and Appropriate Action Regarding *Pendergast v. Arizona State Retirement System* and possible Petition for Review to the Arizona Supreme Court (estimated time 30 minutes to 10:37 a.m.)Ms. Jothi Beljan
Assistant Attorney General

- 12. The next public ASRS Board meeting is scheduled for Friday, June 27, 2014, at 8:30 a.m., at 3300 N. Central Avenue, in the 10th Floor Board room, Phoenix, Arizona.

- 13. 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 with a disability 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 May 16, 2014

ARIZONA STATE RETIREMENT SYSTEM

Gayle Williams Date
Board Administrator

Paul Matson Date
Director



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board
FROM: Mr. Paul Matson, Director
DATE: May 16, 2014
RE: **Agenda Item #2:** Presentation Regarding the PRIDE Results Award

The ASRS employee recognition program recognizes employees who exemplify various PRIDE characteristics (Professionalism, Results, Improvement, Diversity, Excellence) throughout the year. The second award for 2014 is the PRIDE Results award and the following staff and teams were nominated by coworkers who feel they exemplify the PRIDE Results qualities:

- Website and GPS Development Team – *(Dave King (Website Project Manager), Julie Lockwood (GPS Project Manager), Pamela Vozza, David Cannella, Sara Orozco, Carol English, LaToya Charles, Trent Kendall, Jean Langston, Frances Dyer, Donna McNally)*
- Jean Langston
- Erica Dunphy
- TSD Unusual Suspects Team (RTW Workflow and Smart Form project) – *(Trent Kendall, Sunitha Surendra, and Srinivasa Attaluri, with the assistance of consultants Divya Kuchal, Parameshwari Vonteddu, Vignesh Bhaskaran)*
- Joy Fuentes
- Member Advisory Center (MAC)
- Molly Mahai, Gary Hummel, Sean Stevens, and Bruce Pampel

Chosen as winners of the 2014 ASRS PRIDE Results award is the Website and GSP Development Team. We invite the Board to join the ASRS staff in recognizing the following members of the team: Dave King, Julie Lockwood, Pamela Vozza, David Cannella, Sara Orozco, Carol English, LaToya Charles, Trent Kendall, Jean Langston, Frances Dyer, and Donna McNally.

Nominees for the 2014 PRIDE Results Award

The Results Award is the second of our 2014 bimonthly awards. The following employees were nominated by staff who feel they exemplify the results qualities listed below:

RESULTS

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

- Meet goals and objectives
- Satisfy customers
- Complete projects
- Attain individual accomplishments
- Produce quality work products
- Successfully manage risks

WEBSITE AND GPS DEVELOPMENT TEAM

Dave King (Website Project Manager), Julie Lockwood (GPS Project Manager), Pamela Vozza, David Cannella, Sara Orozco, Carol English, LaToya Charles, Trent Kendall, Jean Langston, Frances Dyer, Donna McNally

The ASRS rolled out two major initiatives at the end of March - the new website and the interactive GPS ("Road to Retirement") interactive map. These applications took an incredible amount of work and will change the way the ASRS interacts with and educates members. The applications, together, check off every box in the results category: meeting goals and objectives, satisfying customers, completing projects, attaining individual accomplishments, producing quality work products, and managing risk.

Both initiatives are worthy of major recognition for all the work that went into them, but since they both involved many of the same staff members and depended on each other, I feel it is important that they are recognized together. You cannot have the GPS application without having a new website, and many of the new website pages were built as links from the GPS application.

The new website works on any size device, unlike the old website. You can use our new website on a phone, tablet, or computer, and it re-sizes itself automatically. There are nearly three times as many pages on the new website compared to the old website, and all the content was rewritten this year by more than a dozen different staff members. Now, with a content-management system in place for our website (it works like IQ), the ASRS can keep the content current and fresh by assigning Administrators in each area to monitor and update each page, going forward.

The GPS application was designed and built entirely by FTE staff members who researched and purchased an animation tool (Adobe Captivate) to make the road to retirement light up and respond to clicks/touches. The technology used for the GPS application was highly advanced, so it's a major advantage to have that skillset in-house on the EA team (LaToya) and in MSD. The GPS also works on any device, recognizing finger taps just like mouse clicks.

With the implementation of the new website and GPS, the ASRS has stepped into a new era of member education and online services.

In addition to the primary team, more than a dozen ASRS staff members from all divisions contributed to the scripting on the GPS and content on website pages: Director's Office, Strategic Planning, ASD, MSD, IMD, EA, FSD, and so on. Thanks to everyone who contributed, even a little bit!

JEAN LANGSTON

Jean worked collaboratively with the Member Advisory Center (MAC) and training teams to completely revamp the service purchase classes offered during the BA class. She made the service purchase class more interactive and cut the training time from 11 ½ hours down to 8 hours, helping to get new BAs out of training and on the phones faster.

During the Oracle Modernization Member Summary rollout, Jean used new technology to develop a self-paced Computer Based Training so staff could take the course at their desk at a convenient time.

On top of this, Jean has continued to knock out SOPs at an amazing rate, participated in the GPS project, and always comes to work with a positive attitude, ready to conquer the next obstacle. Jean is always available to lend a helping hand and support her peers. She is truly an asset to the training team and the ASRS.

Jean is extremely results driven. No matter what project or work assignment Jean takes on, it is consistently of the highest quality, meeting the goals of the agency, as well as the goals of the internal customer or team member. Jean proactively volunteers to help fellow team members, ensuring the success of whatever we are working on. She taught herself new computer software to be able to create an online training session to minimize the impact of training on the general workforce. She jumped into our MAC training curriculum project, lending her expertise as a developer to revamp 11 ½ hours of training into 8 hours. To ensure its success, she is piloting the program herself and is always receptive of and seeking feedback. While being involved in the Oracle Modernization project, the BA program rewrite, and learning new software, she continued to work diligently with FSD and other areas to ensure their SOPs are written and updated. She created a record number of new SOPs and still has over a dozen in various stages of work. With all of this...her smile never leaves her face!!!

ERICA DUNPHY

Erica Dunphy was nominated by the Senior Management Team and her manager to be the Product Owner for the Return to Work Enhancements project. As the Product Owner, it was her vision that set the goals and requirements for the new Return to Work POL application and new decision tree tool. She showed up to all meetings prepared and with enthusiasm. She made smart decisions in a timely manner and defined the heart of the project from day one. She also coordinated and communicated with all other business areas and stakeholders to garner input from everyone, like a good Product Owner should. Without her, there is no way Phase 1 would have been a success.

A few months later, we began Phase 2 of the project, which entailed creating a PWEB Smart Form for the Return to Work process. This time, Erica was the Product Owner on another project that started on the same day. She was also a stakeholder and subject matter expert on two other TSD projects at this time. Most people are overwhelmed by their daily duties and the addition of fulfilling the role of Product Owner on one project, let alone two projects! Once again, Erica rose to the occasion, and the project was completed and is scheduled for release on June 5. The project will result in a significant time savings for the ASRS and a larger increase in the overall performance of the Return to Work process.

TSD UNUSUAL SUSPECTS TEAM (RTW WORKFLOW AND SMART FORM PROJECT)

(Trent Kendall, Sunitha Surendra, Srinivasa Attaluri with the assistance of consultants Divya Kuchal, Parameshwari Vonteddu, Vignesh Bhaskaran)

This team really worked well together and produced a quality product. It was refreshing working with a group of people who took the time to provide explanations when needed, to understand the product, and who brought out the best in the Product Owner, so a great tool/service can be provided to our members and employers, while improving efficiency and workload reduction for business users.

JOY FUENTES

Joy is always backing up the mail room and provides support when we need it most. I can always count on her to help. She is always available and willing to help anywhere needed, and her experience and knowledge of the agency, historical practices, and current processes is an invaluable resource.

Joy is always willing to help. Even though the mailroom has split from the imaging department, she still helps and offers suggestions. She goes above and beyond.

MEMBER ADVISORY CENTER (MAC)

For the first time since August 2008, the Member Advisory Center (MAC) met objectives for seven consecutive months: from September 2013 through March 2014, and counting. The MAC handled more than 80% of all calls in 20 seconds or less, while experiencing less than 1% abandonment due to call wait times.

The staff is showing its focus on fantastic service, and member satisfaction ratings continue to be well above the organizational strategic goal. The members' happiness has been well documented with a significant amount of positive feedback being given to MAC management about the great interactions they have with our Benefit Advisors.

These accomplishments are the result of a number of improvements, including call management, increased knowledge sharing, work environment improvements, reduced turnover, and efforts to convert members to self-serving their accounts online, in order to focus the call center on true member counseling.

With two hours of dedicated training each week, the ongoing internal MAC training is better than ever and performance efficiency is reaching new heights. Staff morale has steadily increased to an all time high and it shows in every interaction they have with our members.

Great Job MAC!!!

MOLLY MAHAI, GARY HUMMEL, SEAN STEVENS AND BRUCE PAMPEL

This nomination is to recognize the efforts of staff working together to successfully manage risks and ensure devices with data are properly "cleared" prior to any such device being surplus. Four individuals, Molly Mahai, Gary Hummel, Sean Stevens, and Bruce Pampel, worked side by side to ensure the secure disposal of used equipment (PCs and servers). The process was extensive and was managed carefully each step of the way, to ensure data was scrubbed off/erased/removed from all devices prior to sending used equipment to Surplus Property.

Some of the steps involved in this process were:

- Documentation of assets was prepared and verified in regards to what items would be surplus.
- If any item contained "data," the following security process was followed:
 - Covers were removed from the PCs,
 - Gary and Sean confirmed the hard drives had been removed from all PCs and all servers,
 - Covers were put back onto the PCs,
 - PCs were stacked on pallets with the asset tags showing,
 - Gary and Bruce reconfirmed that each item on each pallet was listed on the SPO101 (documents required for Surplus Property),
 - Each pallet was wrapped with plastic after being checked,
 - The following morning, Molly and Sean joined Bruce to witness the pallets of the PCs and servers as they were loaded onto the truck for Surplus Property.



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*Paul Matson
Director*

MINUTES PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

Friday, April 25, 2014
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. Tom Manos, Chair of the ASRS Board, called the meeting to order at 8:32 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. Tom Manos, Chair
Mr. Mike Smarik, Vice-chair
Mr. Marc Boatwright (via teleconference)
Mr. Tom Connelly
Professor Dennis Hoffman
Dr. Richard Jacob
Mr. Kevin McCarthy
Mr. Brian McNeil
Mr. Jeff Tyne

A quorum was present for the purpose of conducting business.

2. Approval of the Minutes of the March 28, 2014 Public Meeting and Executive Session of the ASRS Board

Motion: Professor Dennis Hoffman moved to approve the minutes of the March 28, 2014 Public Meeting and Executive Session of the ASRS Board. Mr. Mike Smarik seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

3. Approval, Modification, or Rejection of Administrative Law Judge's Recommended Decision Regarding Mr. Ryan Fetter's Appeal of Long Term Disability Benefits

Mr. Tom Manos, Chair, noted the Board materials indicated Mr. Ryan Fetter did not appear for his hearing before the Administrative Law Judge (ALJ). ALJs have historically taken no action when an Appellant fails to appear, because the Appellant bears the burden of proof. In this matter, the ALJ issued a Recommended Decision that the appeal be denied. Trustees had no questions and there was no discussion. Mr. Fetter was not present. A representative of Mr.

Fetter was not present.

Motion: Mr. Jeff Tyne moved to accept the ruling of the Administrative Law Judge to uphold the Director's determination that Mr. Ryan Fetter was no longer disabled and therefore not eligible for ASRS Long Term Disability benefits effective May 15, 2013. Mr. Kevin McCarthy seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

4. Presentation, Discussion, and Appropriate Action Regarding the Sensitivity of Pension and Health Supplement Contribution Rates and Funded Status to Various Investment Returns

Mr. Charlie Chittenden, Actuary, Buck Consultants, presented the results of an analysis conducted to analyze the long-term sensitivity of contribution rates and funding status to changes in investment rates-of-return and membership growth. He noted the analysis modelled the effects on the next 30 years of contribution rates and funded status, based upon hypothetical returns on U.S. and Non-U.S. equities (public and private) in fiscal year 2015 of -10% / +10%, -20% / +20%, -30% / +30%, and 0% return on all other asset classes. Mr. Chittenden explained these returns correspond to returns on total assets of -6.3% / +6.3%, -12.6% / +12.6%, and -18.0% / +18.0% respectively. He presented various scenarios outlining the resulting projected contribution rates and funded status. Trustees discussed possible alternative future rate-of-return scenarios, such as sustained low returns over multiple years versus a large loss in only one year. Mr. Chittenden noted one year of very poor returns without subsequent high rates-of-return would likely lead to higher contribution rates for many years because the effect of the loss would be smoothed over many years. Trustees asked about possible strategies to mitigate possible future losses. One strategy could be to introduce greater diversification of the Fund, although there are additional risks with such strategies. Another strategy could be lowering the equity allocation of the fund, although this may result in higher contribution rates of a more permanent nature. The risks related to both higher risk and higher return assets, as well as lower risk and lower return assets were discussed.

The concept, and relevance or non-relevance, of generational equity was also discussed as it related to fiduciary duties and legislative history.

Trustees asked about the possible effect if the assumed rate of return were lowered to, for instance, 7% instead of 8%. Mr. Chittenden noted the contribution rate would immediately increase, but in the long term it could become more certain. Mr. Manos indicated this was a very informative presentation.

5. Presentation, Discussion, and Appropriate Action Regarding the 2014 Legislative Session

Mr. Patrick Klein, Assistant Director, External Affairs, introduced Mr. Nicholas Ponder, Government Relations Officer. Mr. Klein and Mr. Ponder presented the Bill Tracker, which summarizes ASRS 2014 legislative initiatives as well as other bills affecting the ASRS. The Legislature adjourned Regular Session on April 24, 2014. Mr. Ponder said the effective date of all legislation is July 24, 2014, unless noted otherwise.

Mr. Ponder discussed the following bills which passed:

- HB 2039 (Charter schools; Higher education sponsors): The bill allows charter schools which have their charter sponsored by a university to become members of the ASRS. The bill is retroactive to July 1, 2011. The Governor signed this bill.
- HB 2050 (ASRS membership; Section 218 requirements): This bill eliminates the requirement that members must be covered by an employer's Social Security §218 Agreement and does not allow those already contributing to Social Security to opt out of ASRS membership. The bill allows for the closure of the §38-955 Defined Contribution (DC) Plan, because employees who would have been eligible for the DC Plan will now be required to contribute to the ASRS, and the DC Plan becomes unnecessary. The Governor signed this bill.
- HB 2122 (ASRS; Election/ EORP Defined Contribution): The bill requires a state elected official who was elected or appointed prior to December 31, 2013, and who is an ASRS member because he/she previously elected not to participate in the EORP DC Plan, is no longer required to elect to continue or resume participation in the ASRS in writing, and is mandatorily subject to the ASRS without the election. The bill is retroactive to January 1, 2014. The Governor signed this bill.
- HB 2321 (Procurement Code Omnibus): The bill makes various changes to the Procurement Code. State employees who have a significant procurement role are prohibited from accepting a position with or having employment discussions with the successful offeror and their lobbyists during a certain timeframe relating to solicitation and contract award. The Governor signed this bill.
- SB 1082 (ASRS; Employee background checks): The bill would allow the ASRS to perform credit and background checks on current and prospective employees. The bill passed out of the House and is ready for the Governor.
- SB 1083 (ASRS; Applicable Interest Rate; definition): The bill makes technical conforming changes. The Governor signed this bill, which is now awaiting a Chapter number.
- SB 1084 (ASRS; LTD Compensation): The bill clarifies how the ASRS calculates average monthly compensation for LTD benefits. The Governor signed this bill.

Mr. Ponder noted the following bills were dead:

- HB 2017 (ASRS; §38-955 Defined Contribution Plan): The bill would have made technical changes to the DC Plan.
- HB 2018 (ASRS; In-service distributions): The bill would have made changes to ensure employees have at true break in service, of at least 30 days, between the time they retire and the time they return to work for any ASRS employer.
- SB 1085 (ASRS; LTD program): The bill would possibly have changed the income replacement ratio for those on LTD from 66 2/3% to 60% after 24 months of disability.
- HB 2058 (Public Pension; Limit on Compensation): This bill would have implemented a cap of \$150,000 on earnings eligible for contributions affecting employees hired on or after the effective date.

Mr. Manos and Mr. Jeff Tyne thanked staff for their hard work during the legislative session.

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

Mr. Matson presented the Director's Report. He said the Office of the Auditor General is conducting a Sunset Audit of the ASRS, and the focus seems to be on the financial condition of the pension fund, with additional interests in salary spiking, IT security, and contracts.

Mr. Matson noted there is an RFP out for the Retiree Health Insurance program and the evaluation committee will meet after the Board meeting.

Mr. Matson asked Trustees to inform him of any strategic topics they wish the Board to discuss at future Board meetings.

Mr. Matson informed the Board of a possible error for service credit discovered on the ASRS website, where, for instance, a year of service estimate of 20 years may be erroneously shown as 19.99 years.

Mr. Matson also said the agency is working with the custody bank before proceeding with the possibility of bringing pension payroll disbursement in-house. Specifically, the costs of other services that the custody bank provides, such as security lending, need to be decomposed in order to determine the extent internal financial cross-subsidization.

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

a. Operations and Audit Committee (OAC)

Mr. Jeff Tyne, Chair, said the next OAC meeting will be held on April 30, 2014. Topics to be discussed are internal information technology security and recent audits.

b. External Affairs Committee (EAC)

Mr. Kevin McCarthy said the May 9, 2014 meeting has been cancelled because the Legislative Session is over. He commended Mr. Nick Ponder for his professionalism and thanked staff for their hard work.

c. Investment Committee (IC)

Mr. Tom Connelly, Chair, said the next IC meeting will be held on June 23, 2014. ASRS Investment Program Updates, Total Fund 1Q, consultant review, fixed income asset class presentation, and risk parameters will be discussed.

8. Board Requests for Agenda Items

No requests were made. Mr. Manos asked Trustees to contact him or Mr. Matson regarding specific strategic policy topics they would like addressed in a future Board meeting.

9. Call to the Public

No members of the public requested to speak.

10. The next ASRS Board meeting is scheduled for Friday, May 23, 2014, at 8:30 A.M., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

11. Adjournment of the ASRS Board

Mr. Tom Manos adjourned the April 25, 2014 Board meeting at 9:59 A.M.

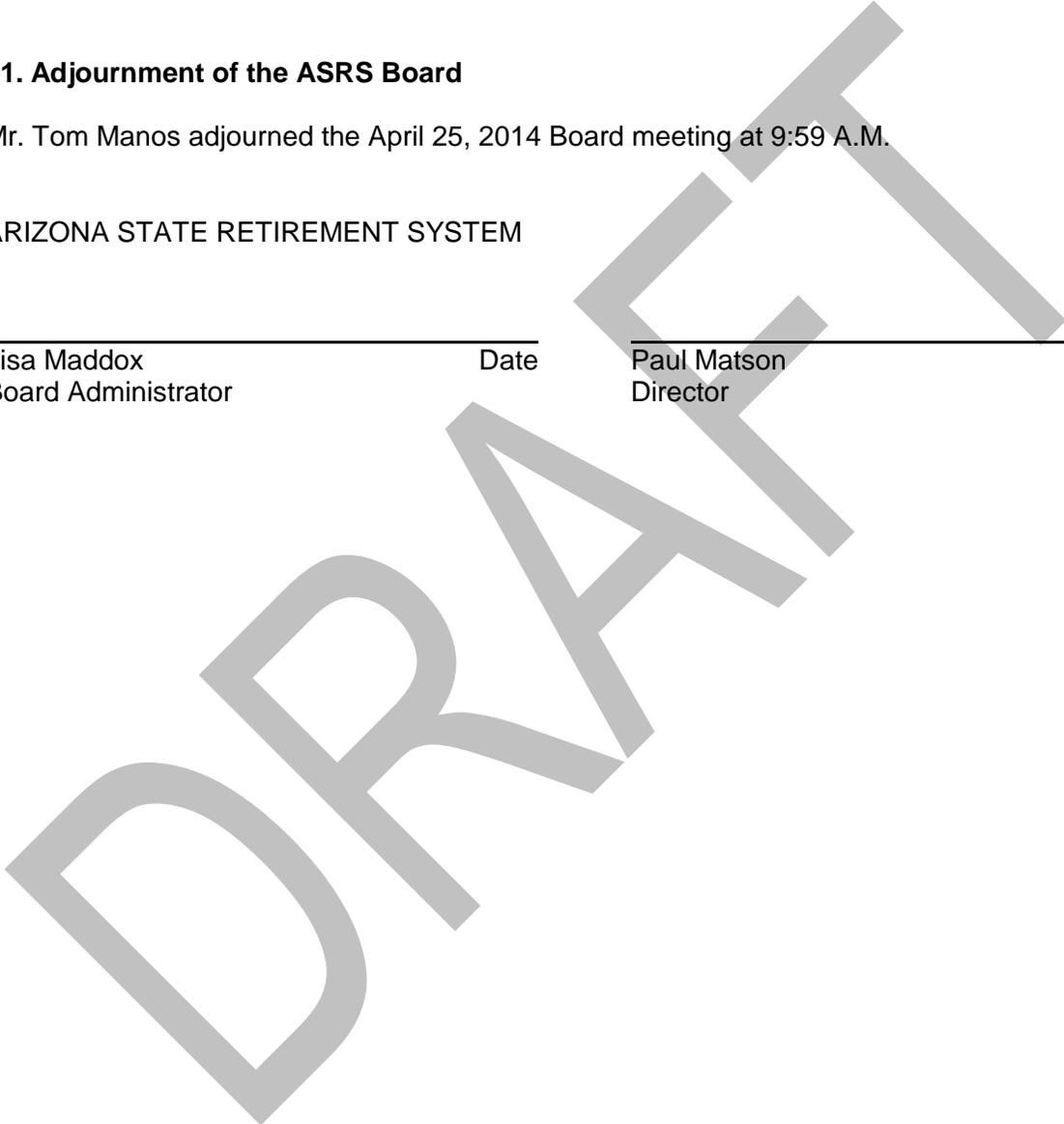
ARIZONA STATE RETIREMENT SYSTEM

Lisa Maddox
Board Administrator

Date

Paul Matson
Director

Date





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Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director
Mr. Brian Crockett, Senior Management Analyst

DATE: May 16, 2014

RE: **Agenda Item #4:** Presentation, Discussion, and Appropriate Action Regarding a Study of Pre-retirement Salary Changes

Purpose

To present and discuss an analysis of pre-retirement salary changes for ASRS members.

Recommendation

Information item only; no action required.

Background

The Board requested staff to prepare an analysis of actual salary changes of members leading up to retirement to determine:

1. If unusual pre-retirement salary patterns exist;
2. If actuarial assumptions with respect to salary changes appear reasonable.

The methodology and results of this analysis are included in the attached presentation.

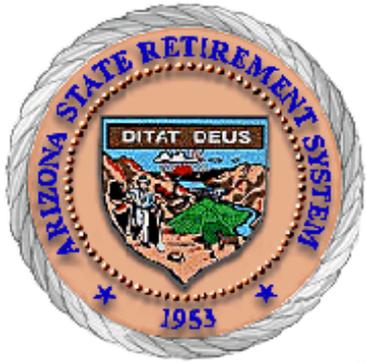
The analysis includes all members who retired on or after July 1, 2008, and had a finalized retirement calculation completed prior to April 23, 2014; a cohort of approximately 43,000 retirees. Members who suspended their benefit and returned to active status, regardless of whether they returned to retired status or remained active were excluded from the analysis. Members who suspended their benefit and returned to retired status were excluded because the final average salary range for a member who returns to retired status is not recorded in the same manner as a retired member who has not suspended their benefit. Additionally members who suspended their benefit and remained in active status were excluded because those members would have their current salaries excluded from the analysis as they will have, at a future date, re-retired making their definitive final average salary range indeterminable. All members who received a Lump Sum Retirement, member's whose monthly annuity was less than \$100.00 per month (\$20.00 per month for members retired prior to June 30, 2013) were also excluded from the analysis because they generally have low service totals, typically less than four years, and therefor do not have enough salary history to compare a final average salary period with a pre-final average salary period.

The results are grouped by salary change ranges and presented in aggregate and by distinct employer type. Four sets of charts are presented as follows:

1. With the 'numbers' of retirees on the vertical axis, and with 'larger' ranges for salary changes.

2. With 'percentage' of retirees on the vertical axis, and with 'larger' ranges for salary changes.
3. With the 'number' of retirees on the vertical axis, and with 'small' ranges for salary changes.
4. With the 'percentage' of retirees on the vertical axis, and with 'small' ranges for salary changes.

The analysis shows that, in general, there are limited increases in salary changes as a member approaches retirement. In other words, (on average) at any point in a member's career the percentage change in salary is approximately equal to the percentage change in the period of time used to calculate the member's final average salary. Based on the results of the last three 5-year experience studies the salary scale used to determine future liability accruals and contribution rates is appropriate for the actual salary changes experienced by members.



Arizona State Retirement System

Analysis of Pre-Retirement Salary Changes for
Members Retired on or After July 1, 2008

May 23, 2014



Analysis Disclosures

- Universe analyzed includes all members who retired on or after July 1, 2008 and had a finalized retirement calculation prior to April 23, 2014.
- Members who received a lump sum retirement were excluded from the analysis.
- Members who suspended their pension and returned to active status were excluded from the analysis.



Analysis Disclosures

- Contributions and salary were included in the month of the reported pay period ending and were not smoothed regardless of the pay type (i.e. Proposition 301 payments).
- Baseline salaries are comprised of all pay periods in the preceding 12-month period and must have a pay period ending count within 10% of the year to be analyzed. For example: if the period from April 1, 2009 to March 31, 2010 has 26 pay periods, the period from April 1, 2008 to March 31, 2009 must have at least 23 pay periods.



Analysis Disclosures

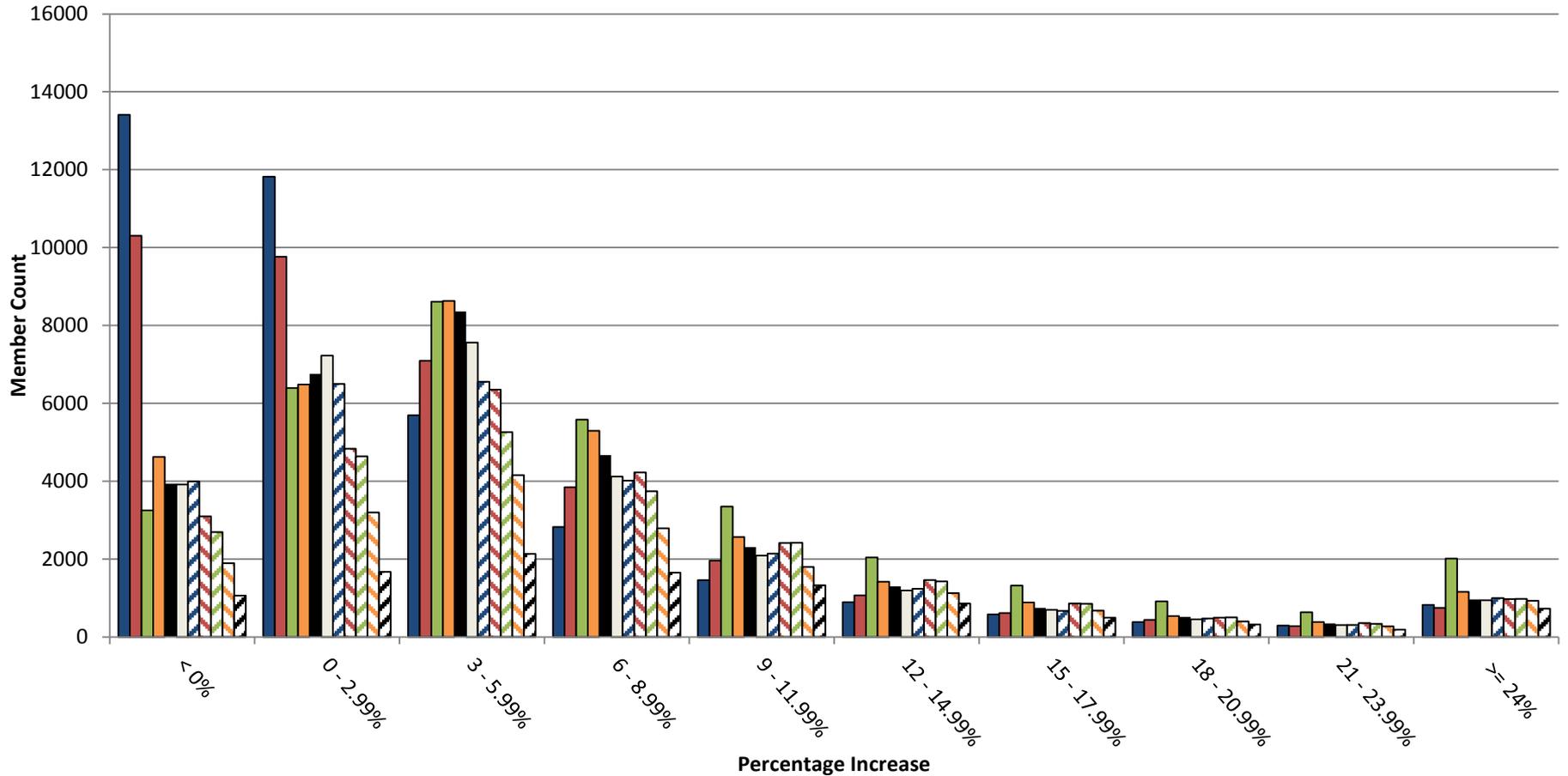
- Analysis is limited to salaries reported for pay periods on or after July 1, 1999.
- Employer grouping is based on the employer the member retired from and is not allocated to different employer types throughout the analysis period.



Member Counts by Salary Change Range (Larger Salary Change Ranges)



Salary History - All Employer Types



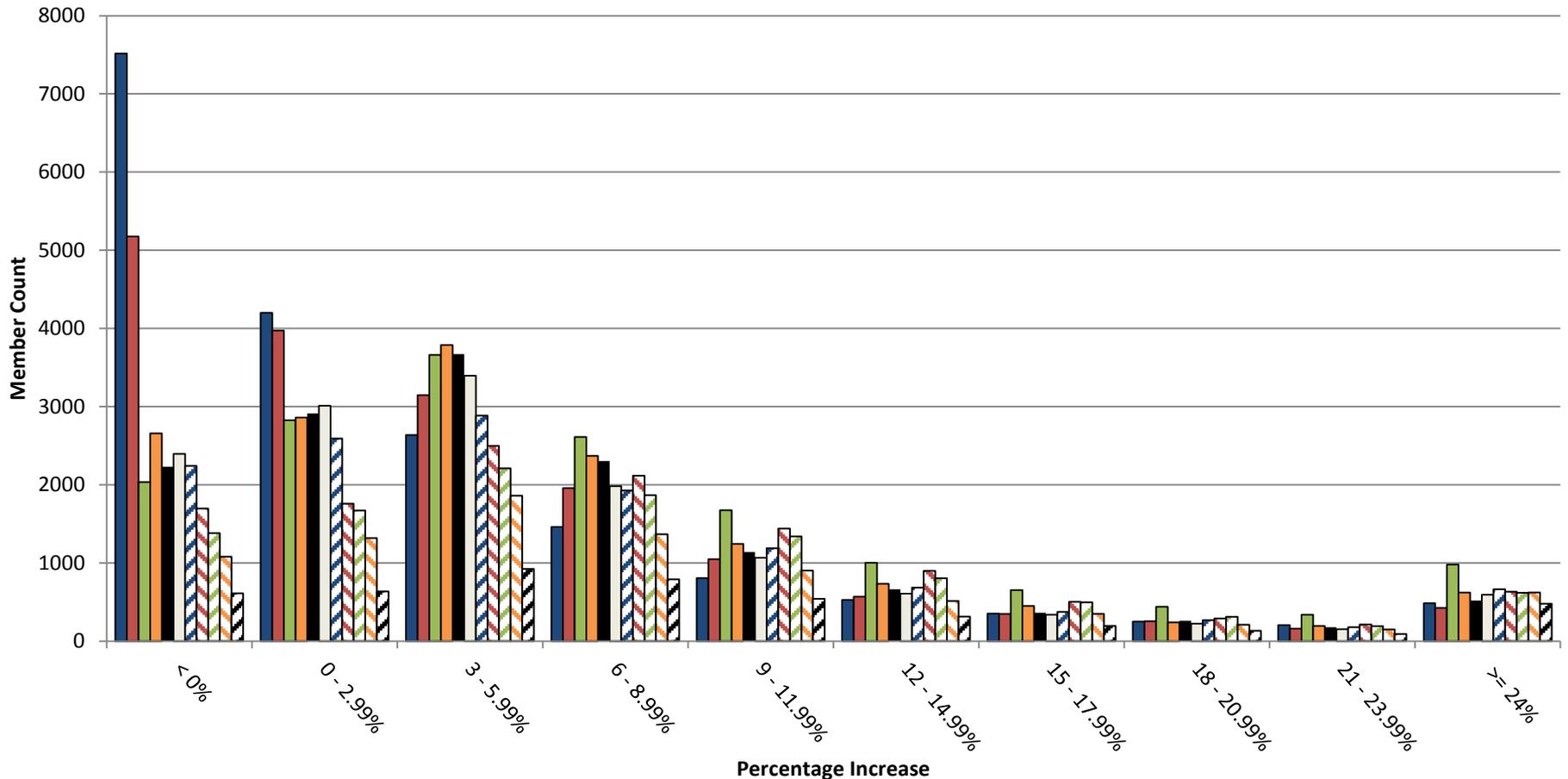
Final Year n = 38,174	Final Year Minus 1 n = 36,107	Final Year Minus 2 n = 34,105	Final Year Minus 3 n = 31,979	Final Year Minus 4 n = 29,895	Final Year Minus 5 n = 28,495
Final Year Minus 6 n = 26,868	Final Year Minus 7 n = 25,053	Final Year Minus 8 n = 22,838	Final Year Minus 9 n = 17,227	Final Year Minus 10 n = 10,427	

Average Change for Members with Full History: 4.85%

Average Change During FAS Period: 4.34%



Salary History – K-12 Public Schools



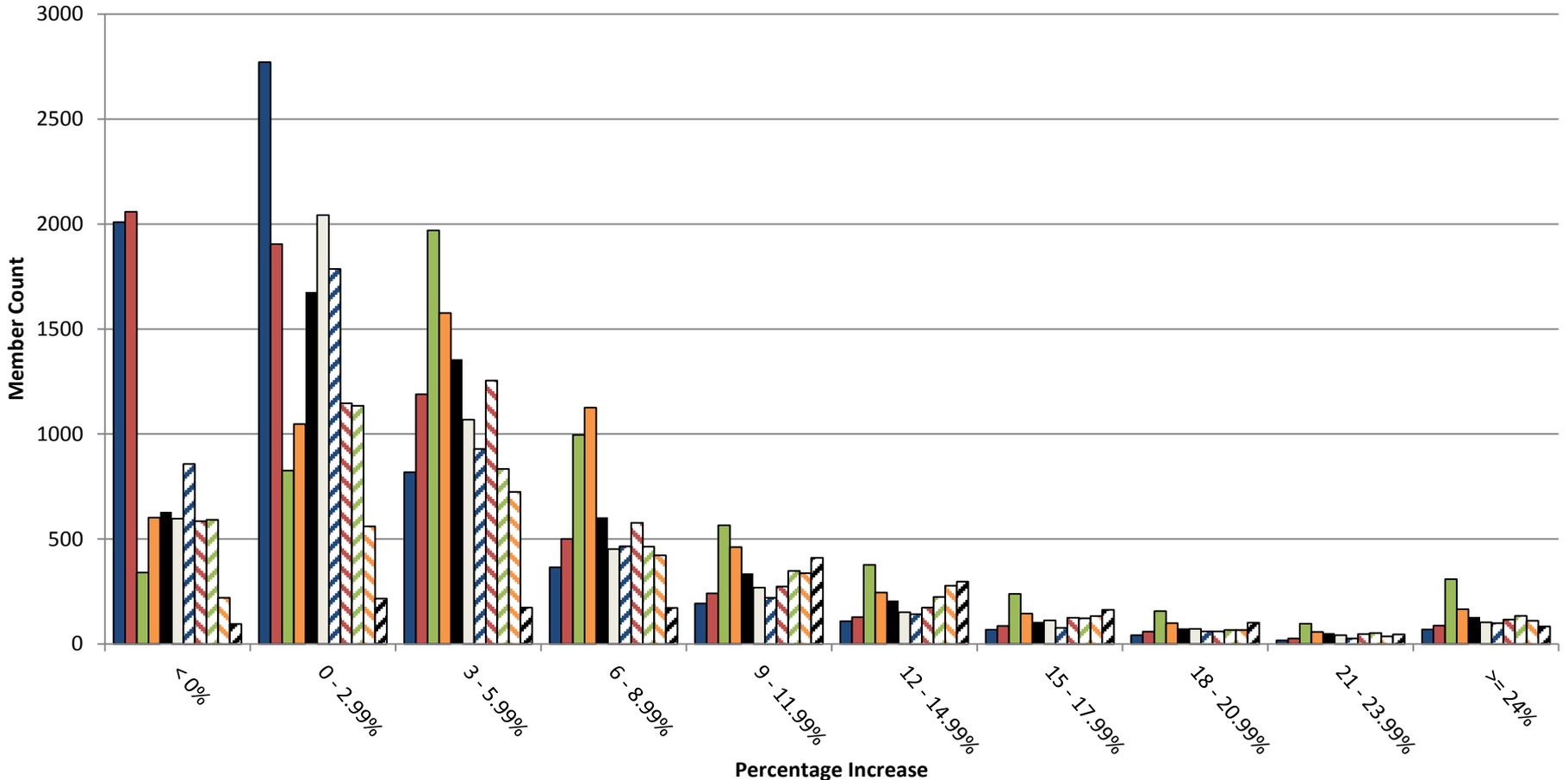
Final Year n = 18,447	Final Year Minus 1 n = 17,057	Final Year Minus 2 n = 16,218	Final Year Minus 3 n = 15,164	Final Year Minus 4 n = 14,239	Final Year Minus 5 n = 13,763
Final Year Minus 6 n = 13,001	Final Year Minus 7 n = 12,039	Final Year Minus 8 n = 10,888	Final Year Minus 9 n = 8,374	Final Year Minus 10 n = 4,709	

Average Change for Members with Full History: 5.10%

Average Change During FAS Period: 4.40%



Salary History – State

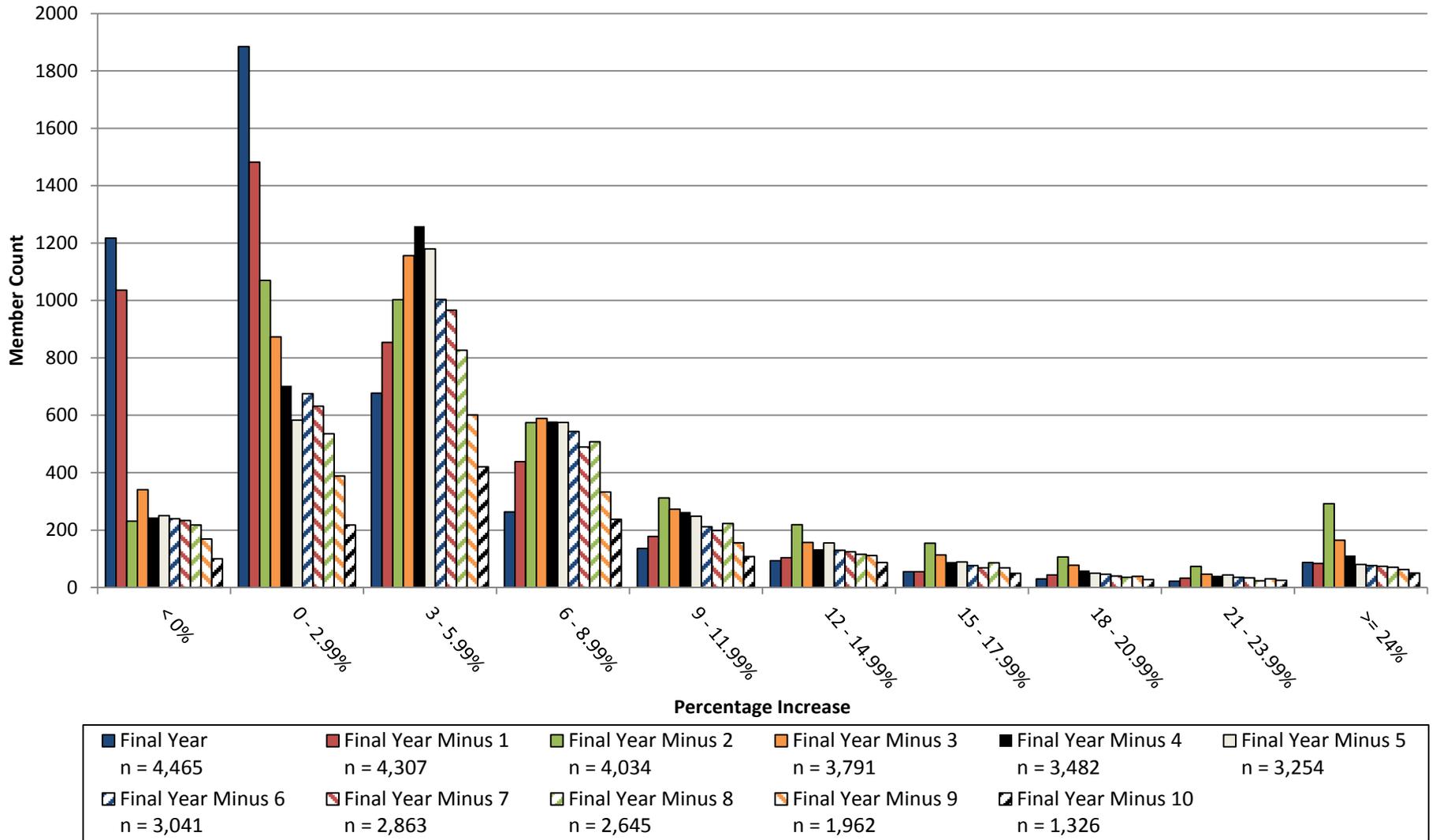


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▨ Final Year Minus 6 n = 4,664	▨ Final Year Minus 7 n = 4,362	▨ Final Year Minus 8 n = 3,976	▨ Final Year Minus 9 n = 2,895	▨ Final Year Minus 10 n = 1,761	

Average Change for Members with Full History: 4.53% Average Change During FAS Period: 3.88%



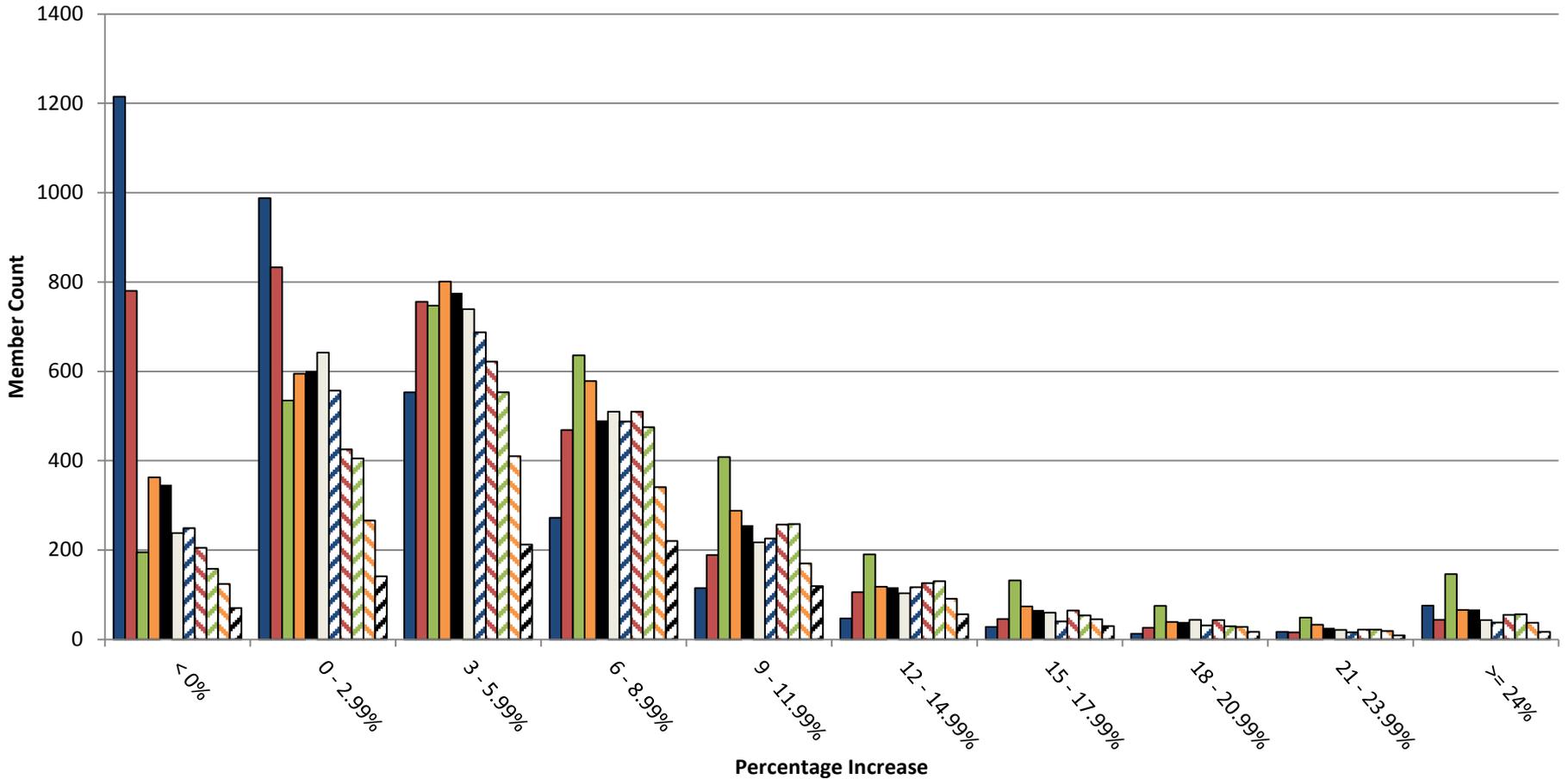
Salary History – Counties



Average Change for Members with Full History: 4.87% Average Change During FAS Period: 4.37%



Salary History – Cities



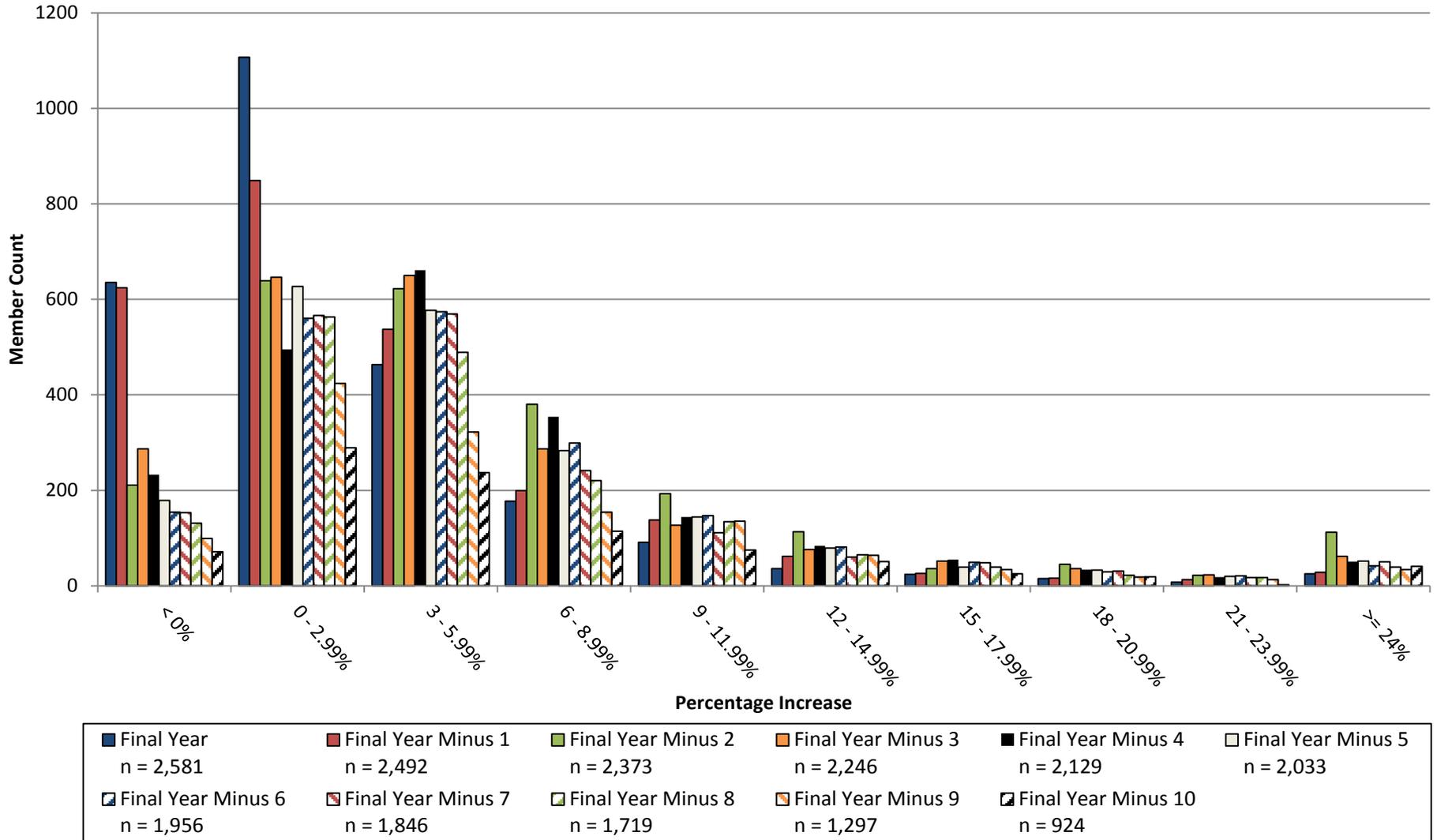
Final Year n = 3,324	Final Year Minus 1 n = 3,265	Final Year Minus 2 n = 3,113	Final Year Minus 3 n = 2,955	Final Year Minus 4 n = 2,784	Final Year Minus 5 n = 2,617
Final Year Minus 6 n = 2,449	Final Year Minus 7 n = 2,330	Final Year Minus 8 n = 2,140	Final Year Minus 9 n = 1,531	Final Year Minus 10 n = 891	

Average Change for Members with Full History: 4.79%

Average Change During FAS Period: 4.69%



Salary History – Universities

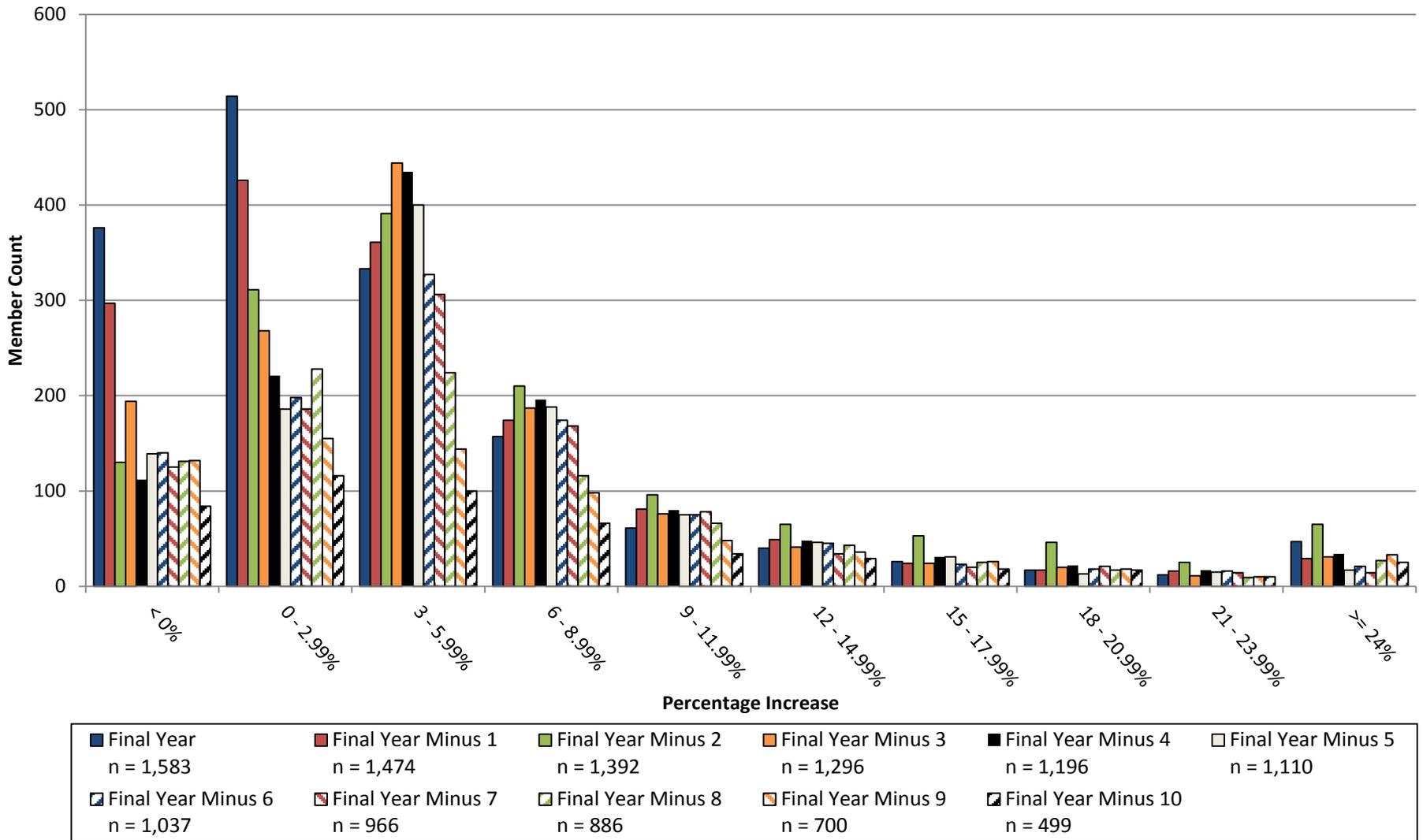


Average Change for Members with Full History: 4.39%

Average Change During FAS Period: 3.75%



Salary History – Community Colleges

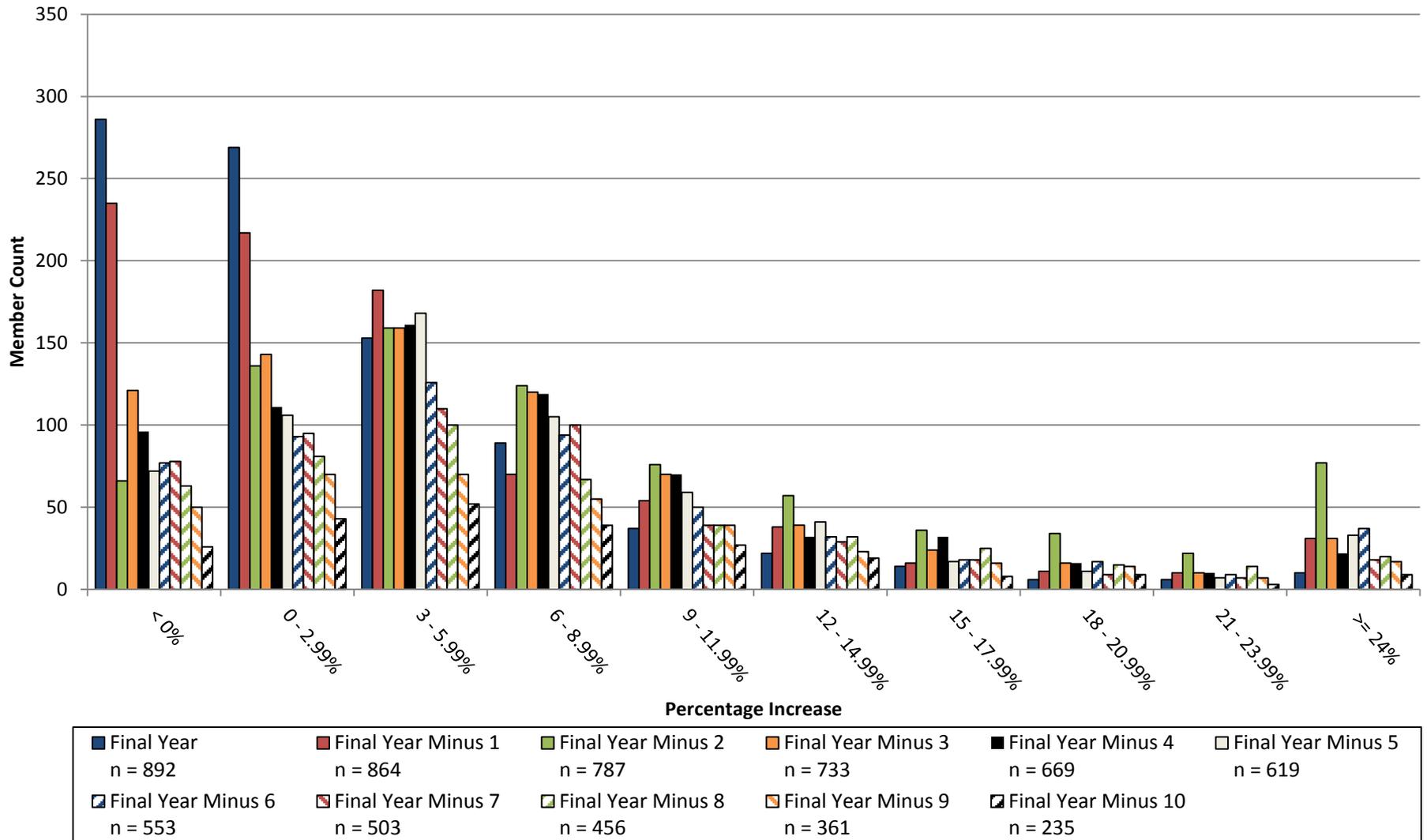


Average Change for Members with Full History: 4.61%

Average Change During FAS Period: 4.86%



Salary History – Political Subdivisions

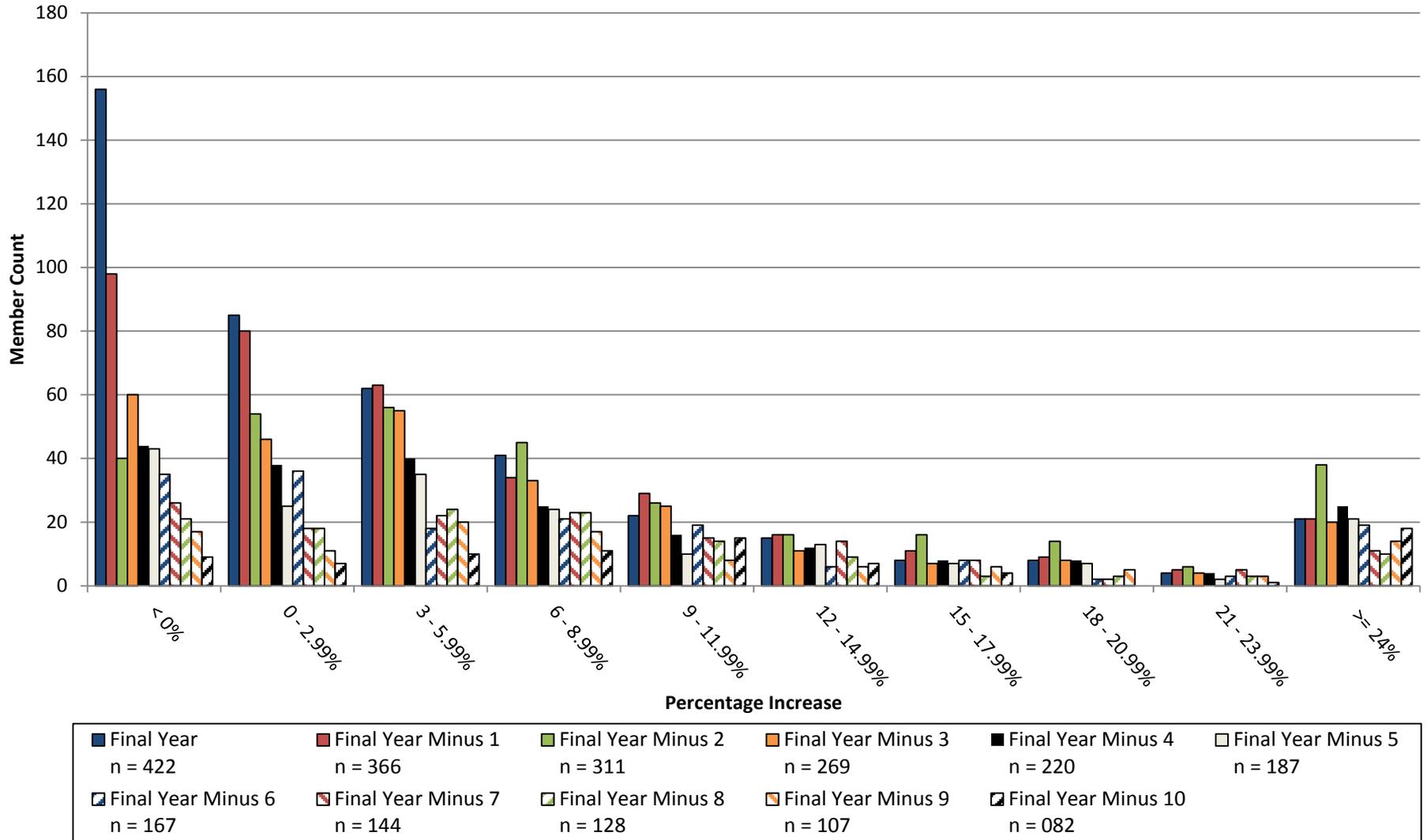


Average Change for Members with Full History: 5.23%

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Salary History – Charter Schools



Average Change for Members with Full History: 6.69%

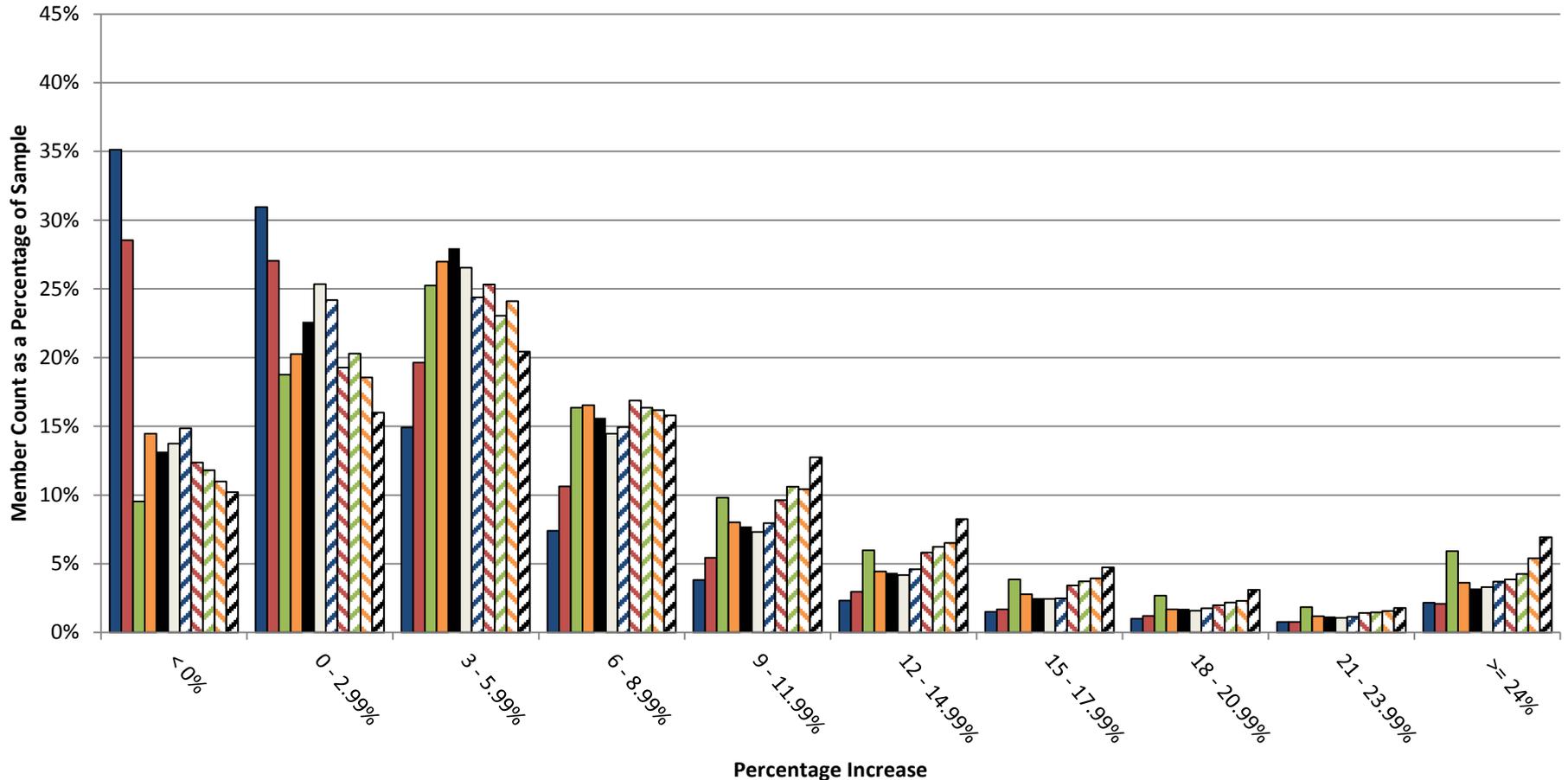
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Percentage of Members in Sample by Salary Change Range (Larger Salary Change Ranges)



Salary History - All Employer Types



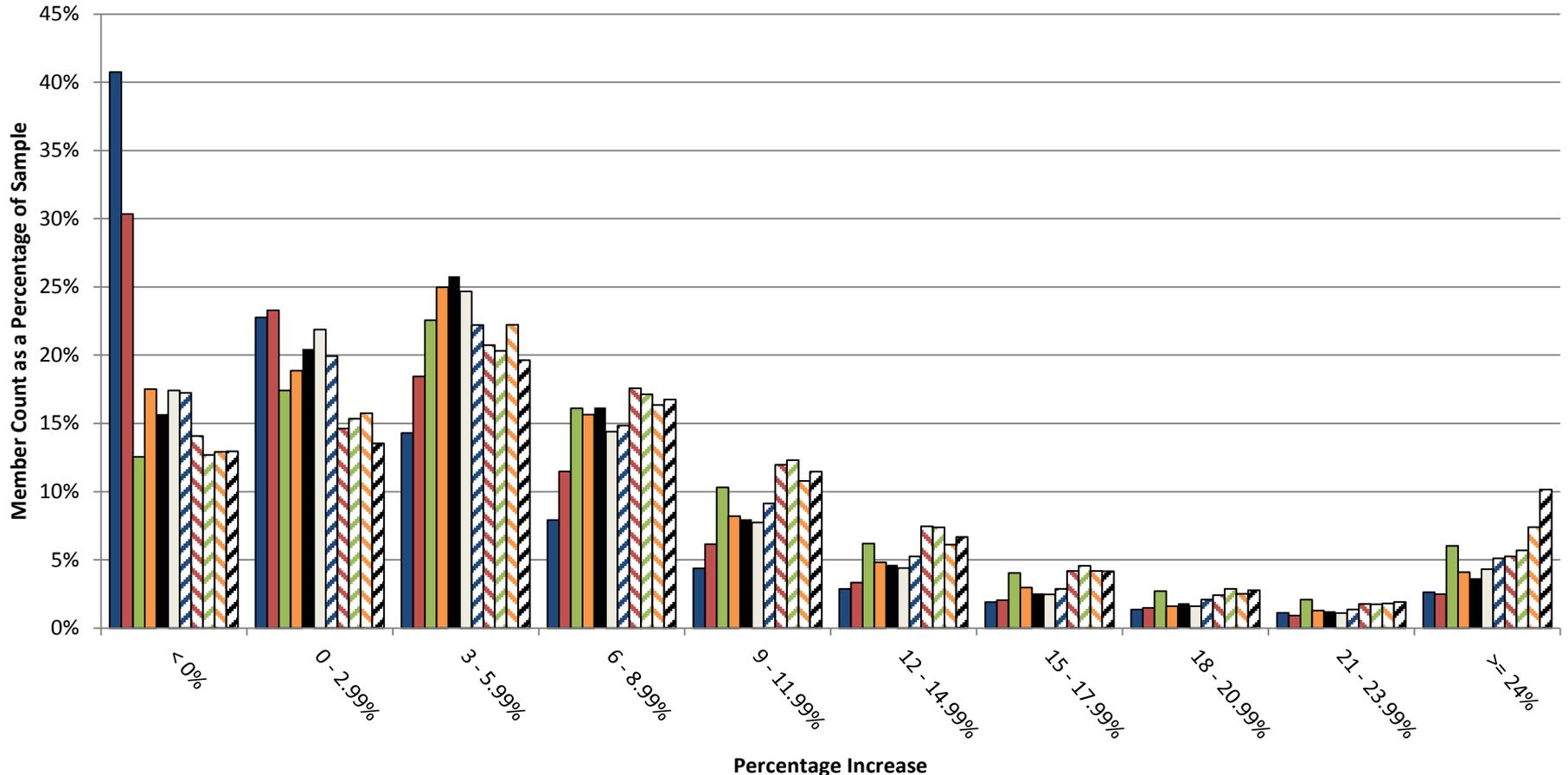
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Salary History – K-12 Public Schools



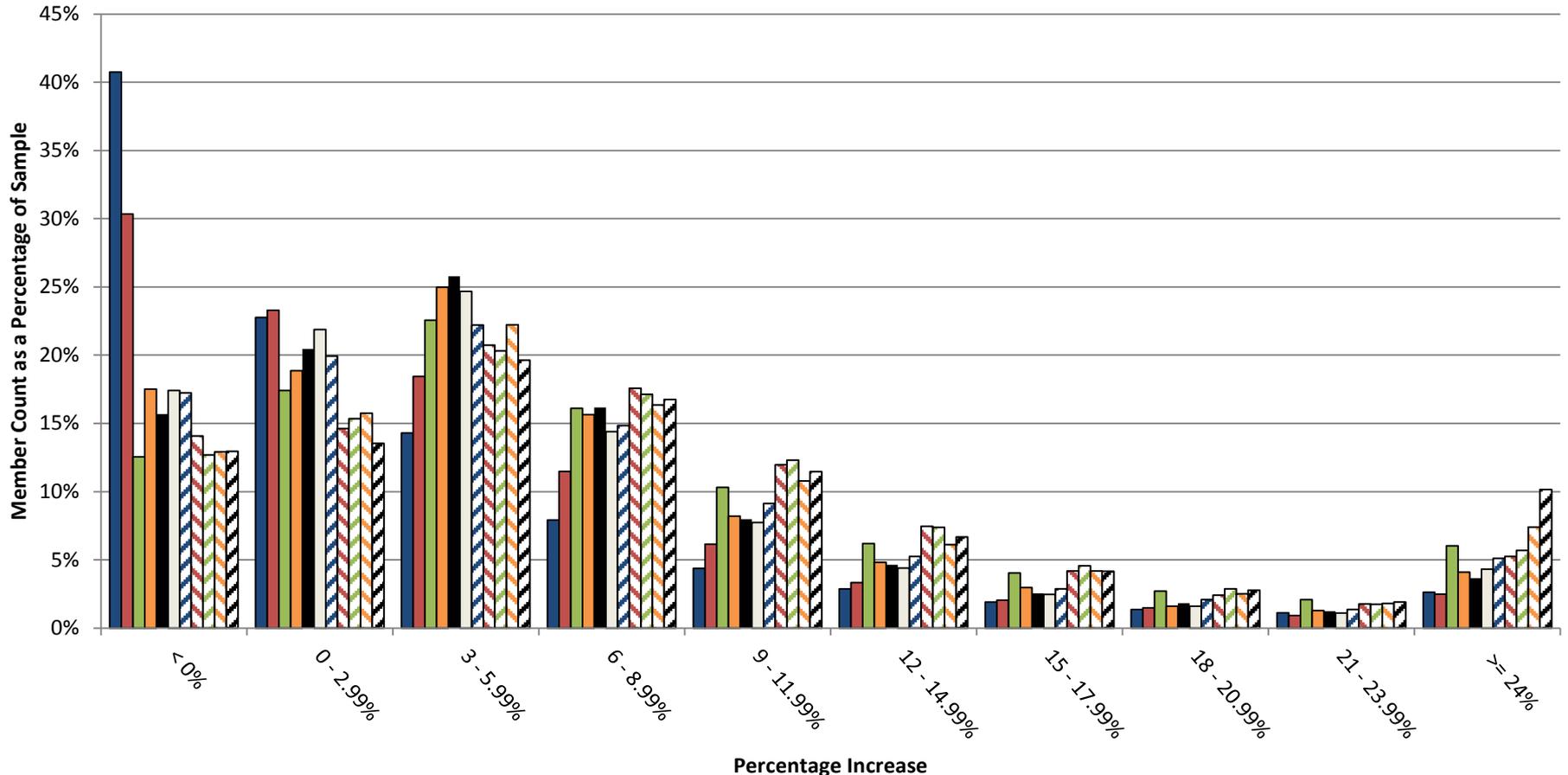
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Salary History – State



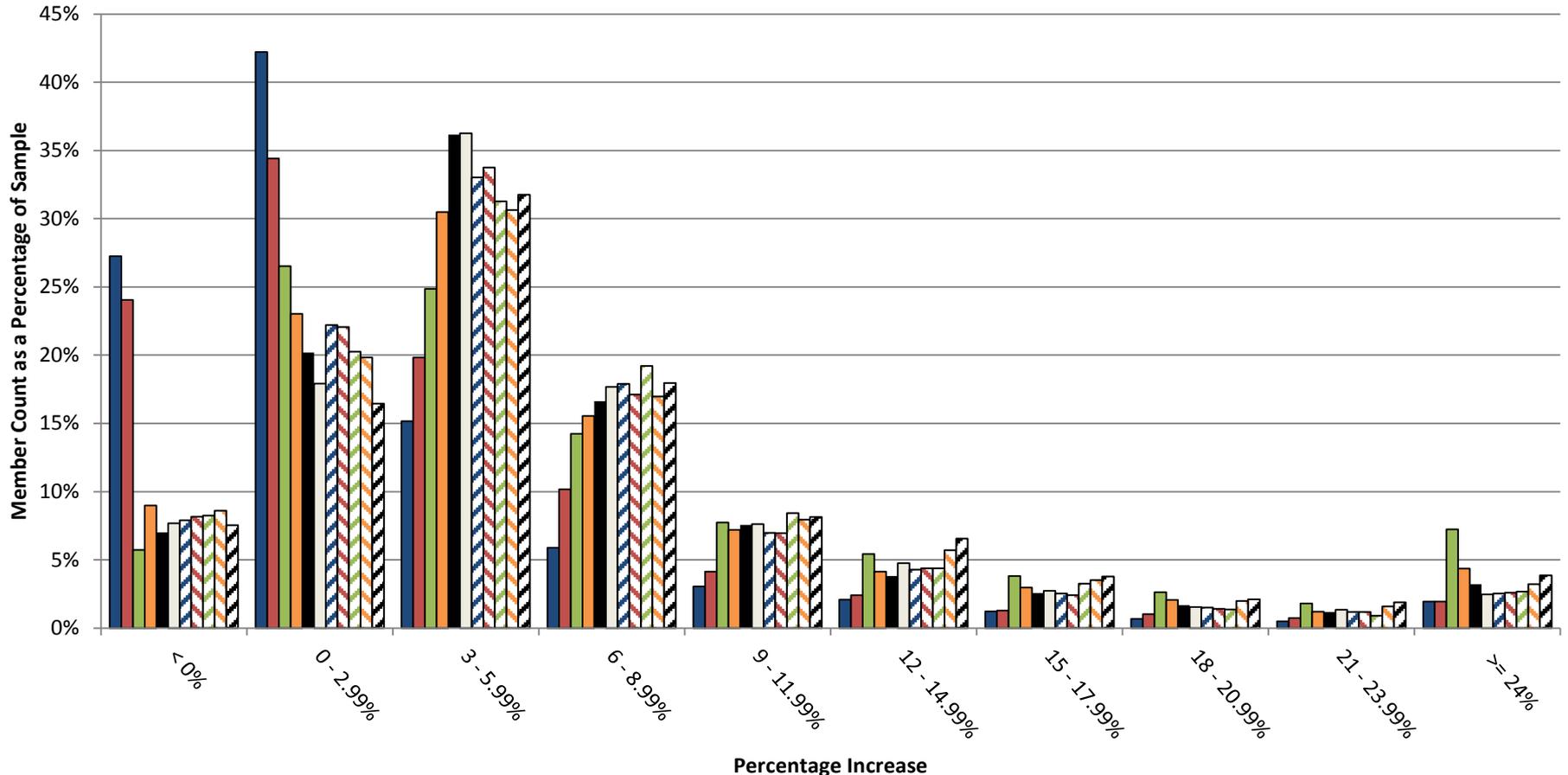
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Average Change for Members with Full History: 4.53%

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Salary History – Counties



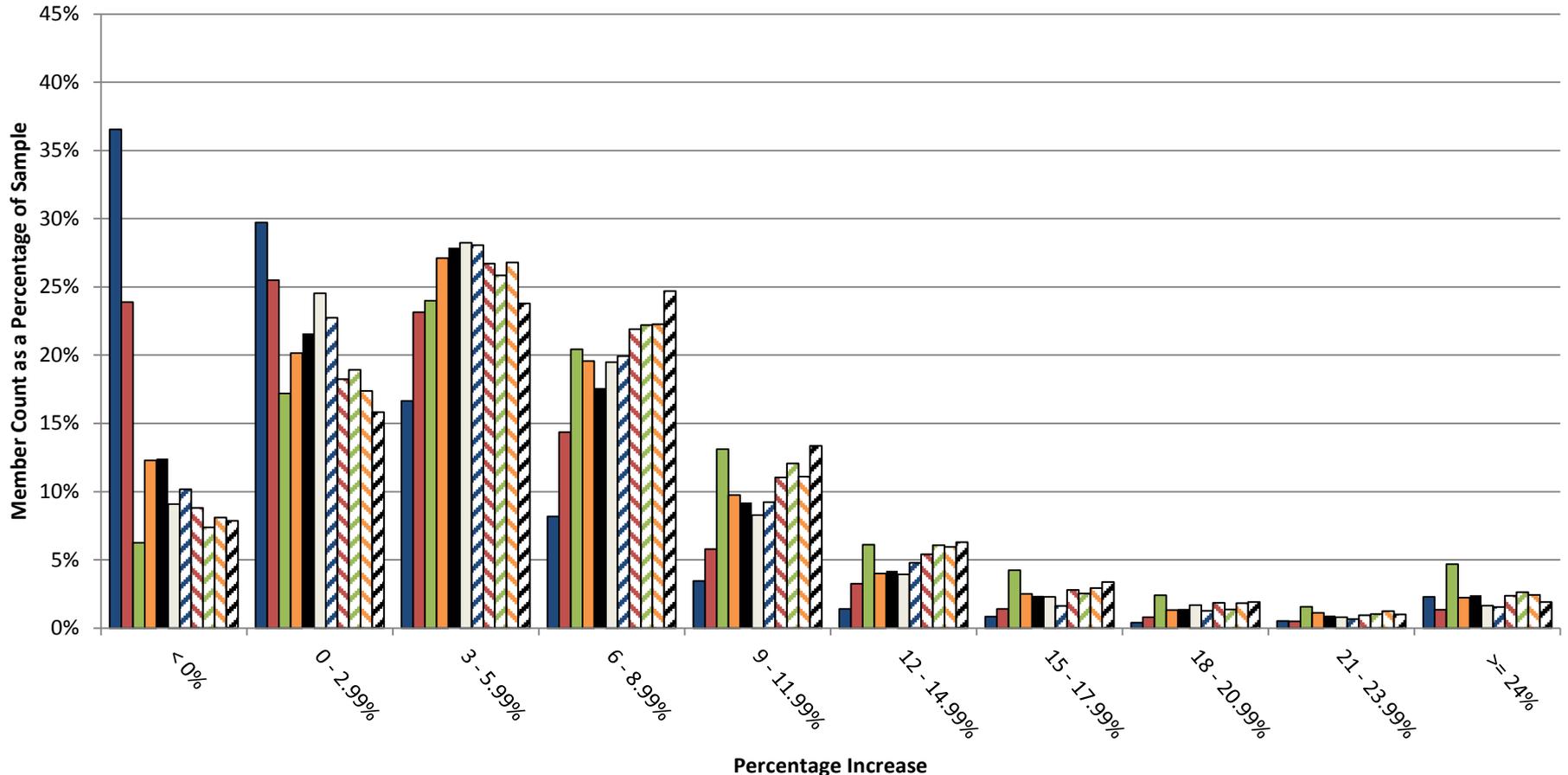
Final Year n = 4,465	Final Year Minus 1 n = 4,307	Final Year Minus 2 n = 4,034	Final Year Minus 3 n = 3,791	Final Year Minus 4 n = 3,482	Final Year Minus 5 n = 3,254
Final Year Minus 6 n = 3,041	Final Year Minus 7 n = 2,863	Final Year Minus 8 n = 2,645	Final Year Minus 9 n = 1,962	Final Year Minus 10 n = 1,326	

Average Change for Members with Full History: 4.87%

Average Change During FAS Period: 4.37%



Salary History – Cities



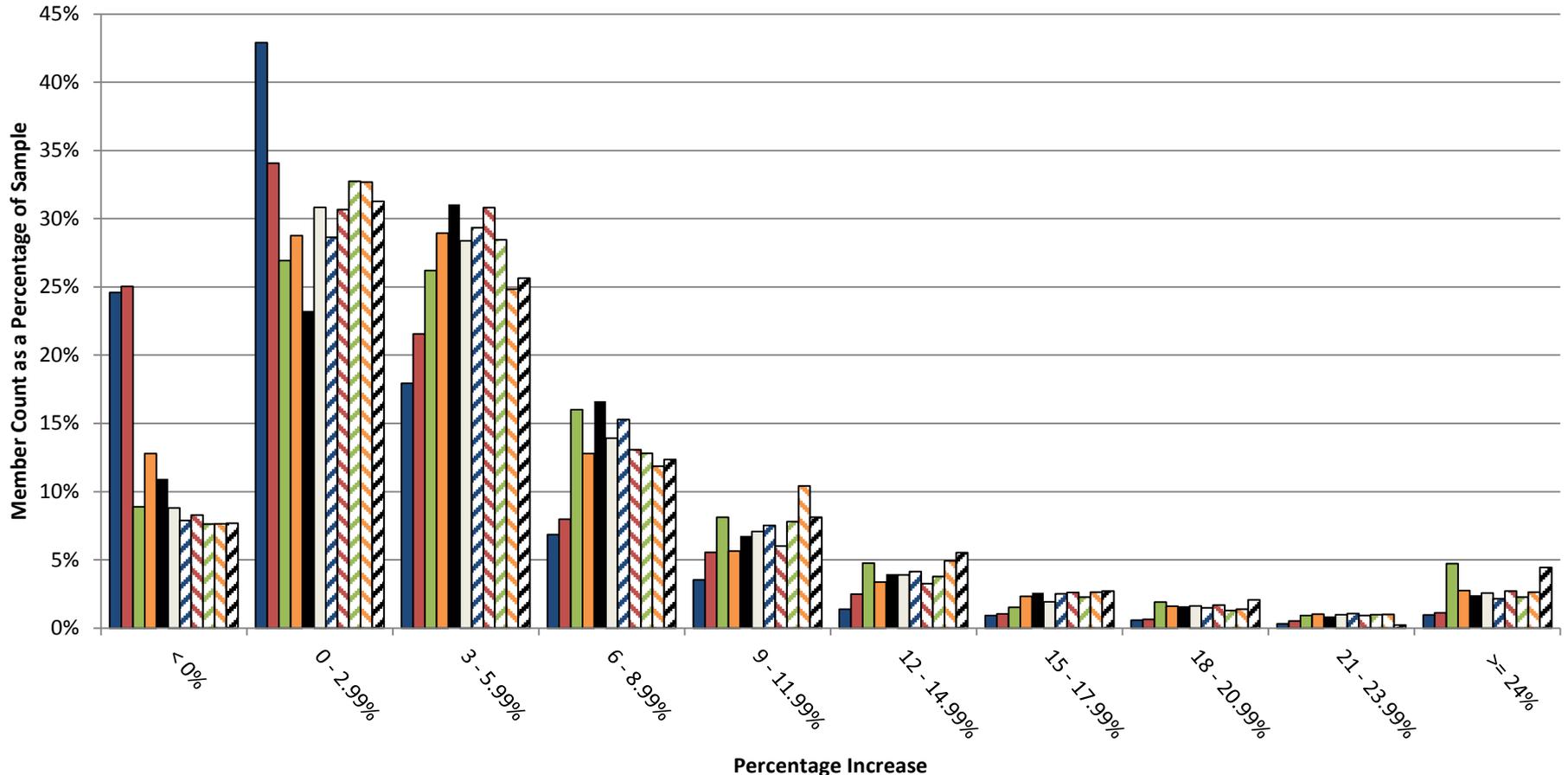
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Salary History – Universities



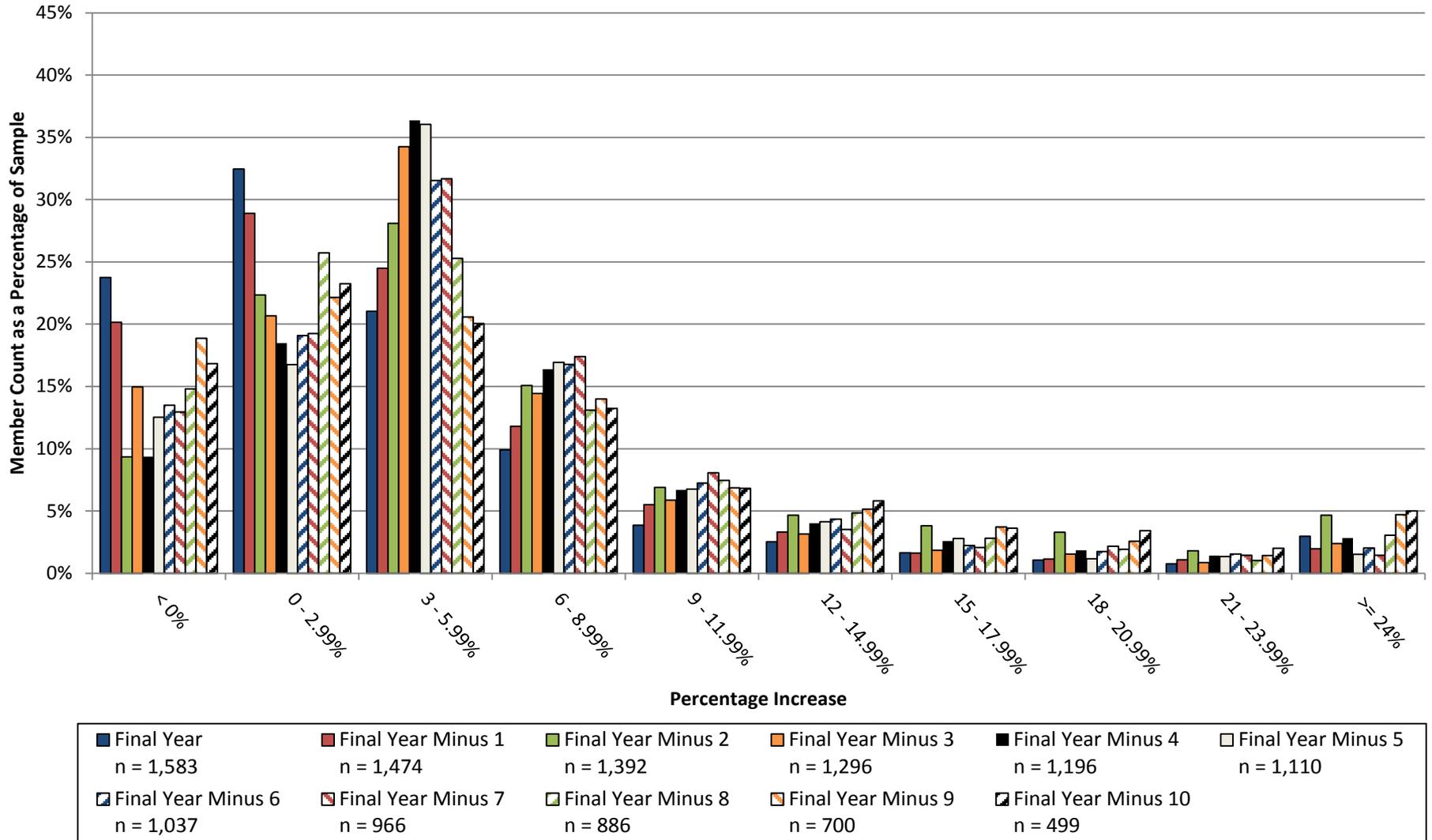
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Final Year Minus 6 n = 1,956	Final Year Minus 7 n = 1,846	Final Year Minus 8 n = 1,719	Final Year Minus 9 n = 1,297	Final Year Minus 10 n = 924	

Average Change for Members with Full History: 4.39%

Average Change During FAS Period: 3.75%



Salary History – Community Colleges

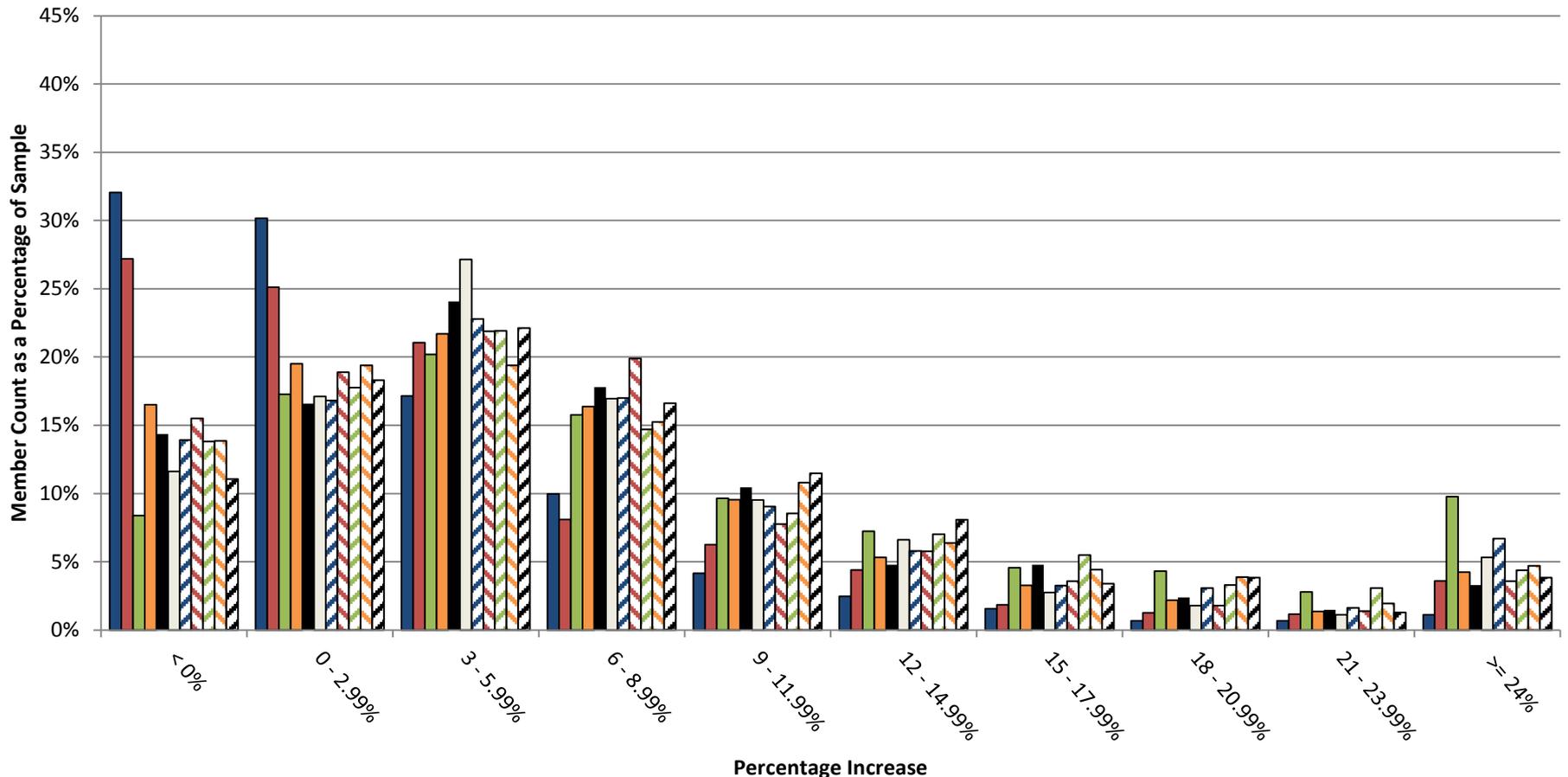


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Salary History – Political Subdivisions



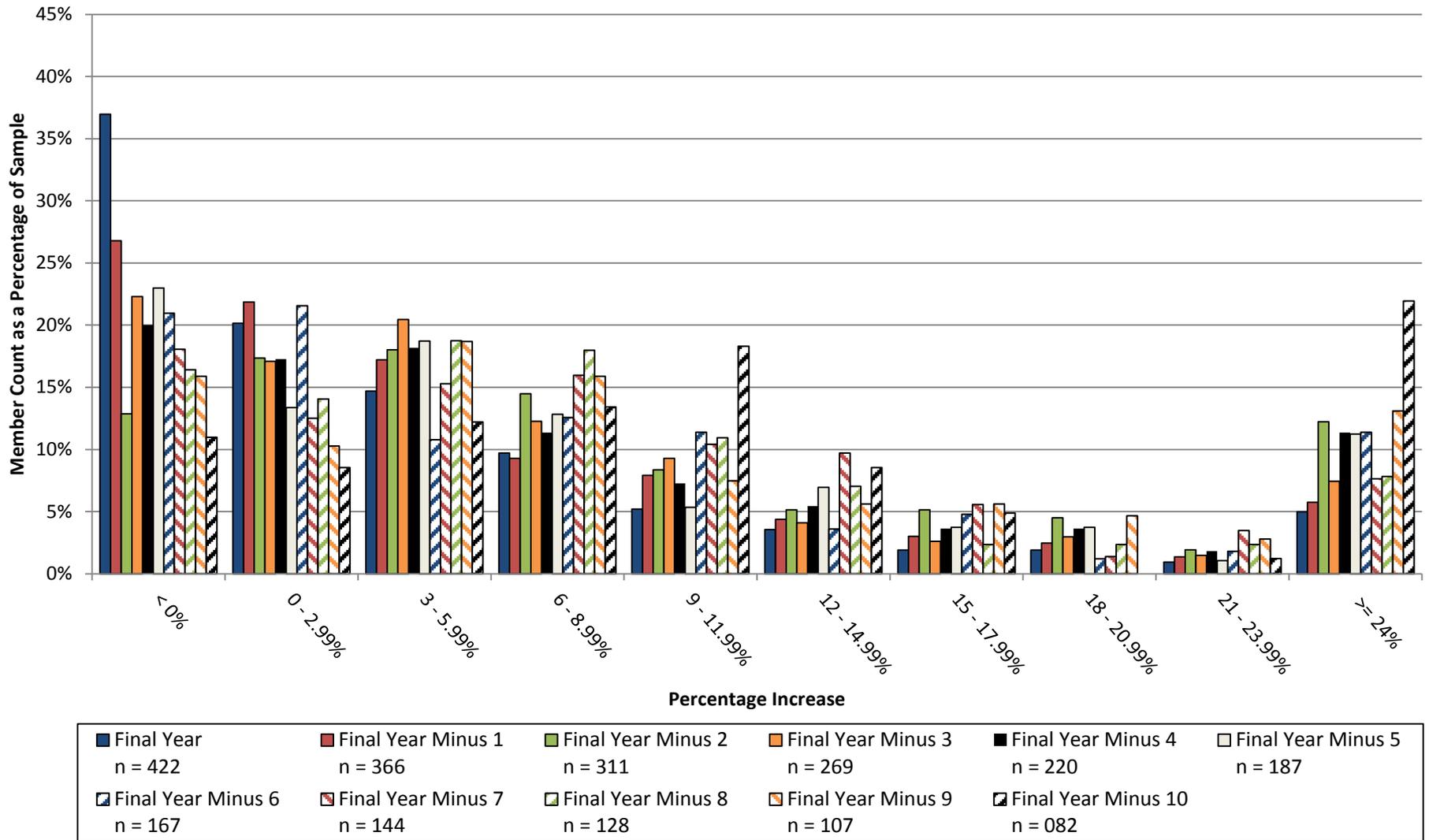
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Average Change for Members with Full History: 5.23%

Average Change During FAS Period: 5.19%



Salary History – Charter Schools



Average Change for Members with Full History: 6.69%

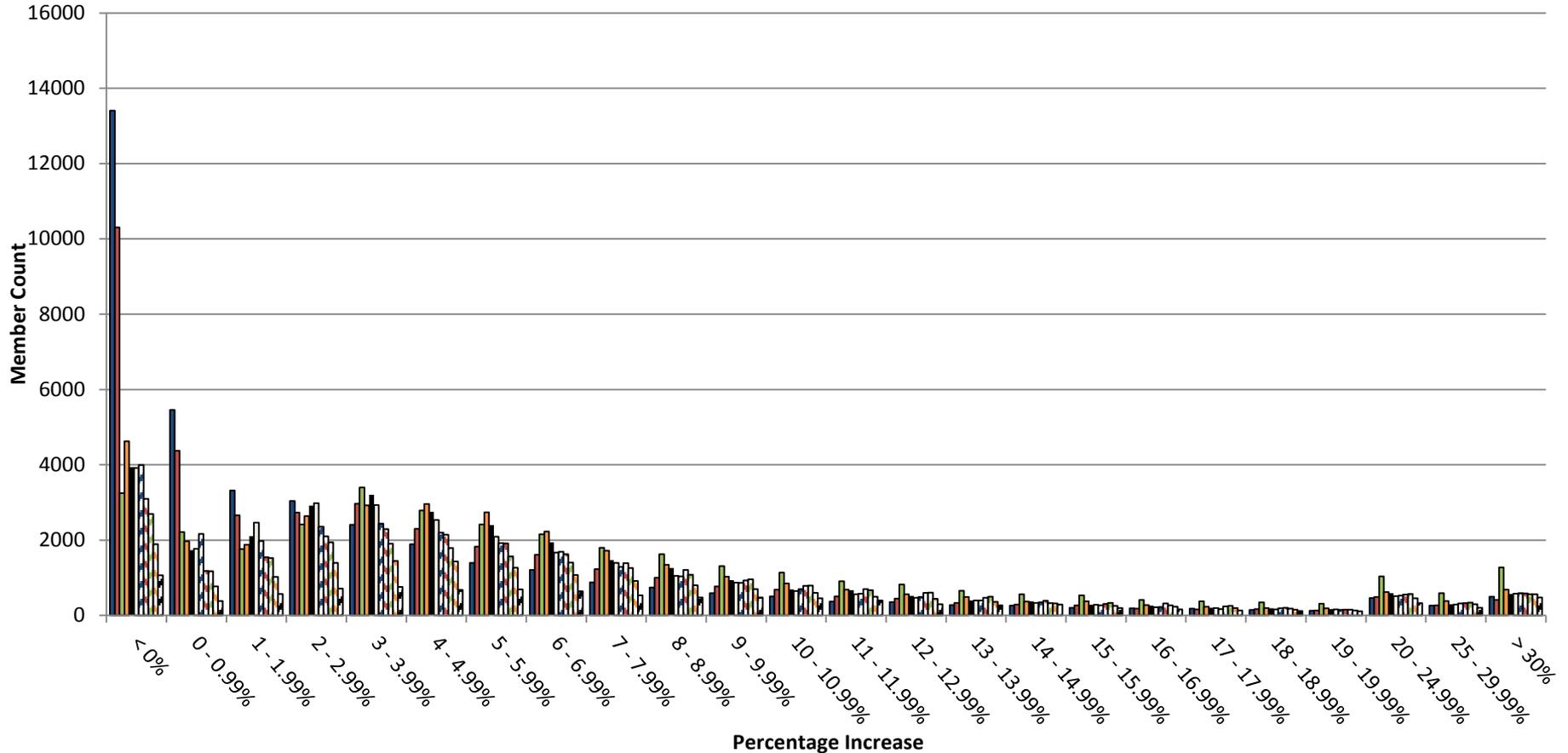
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Member Counts by Salary Change Range (Small Salary Change Ranges)



Salary History - All Employer Types



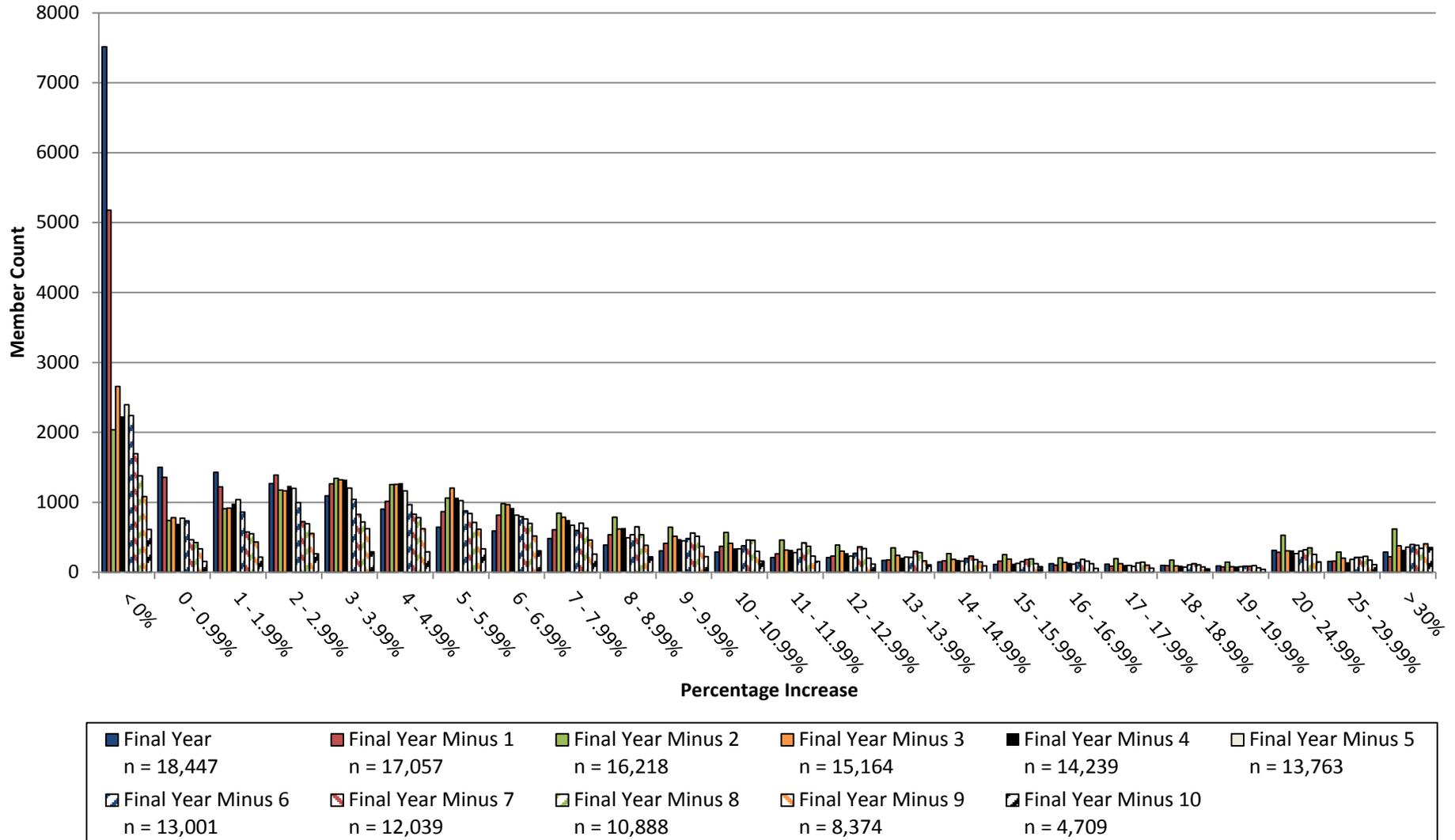
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Salary History – K-12 Public Schools

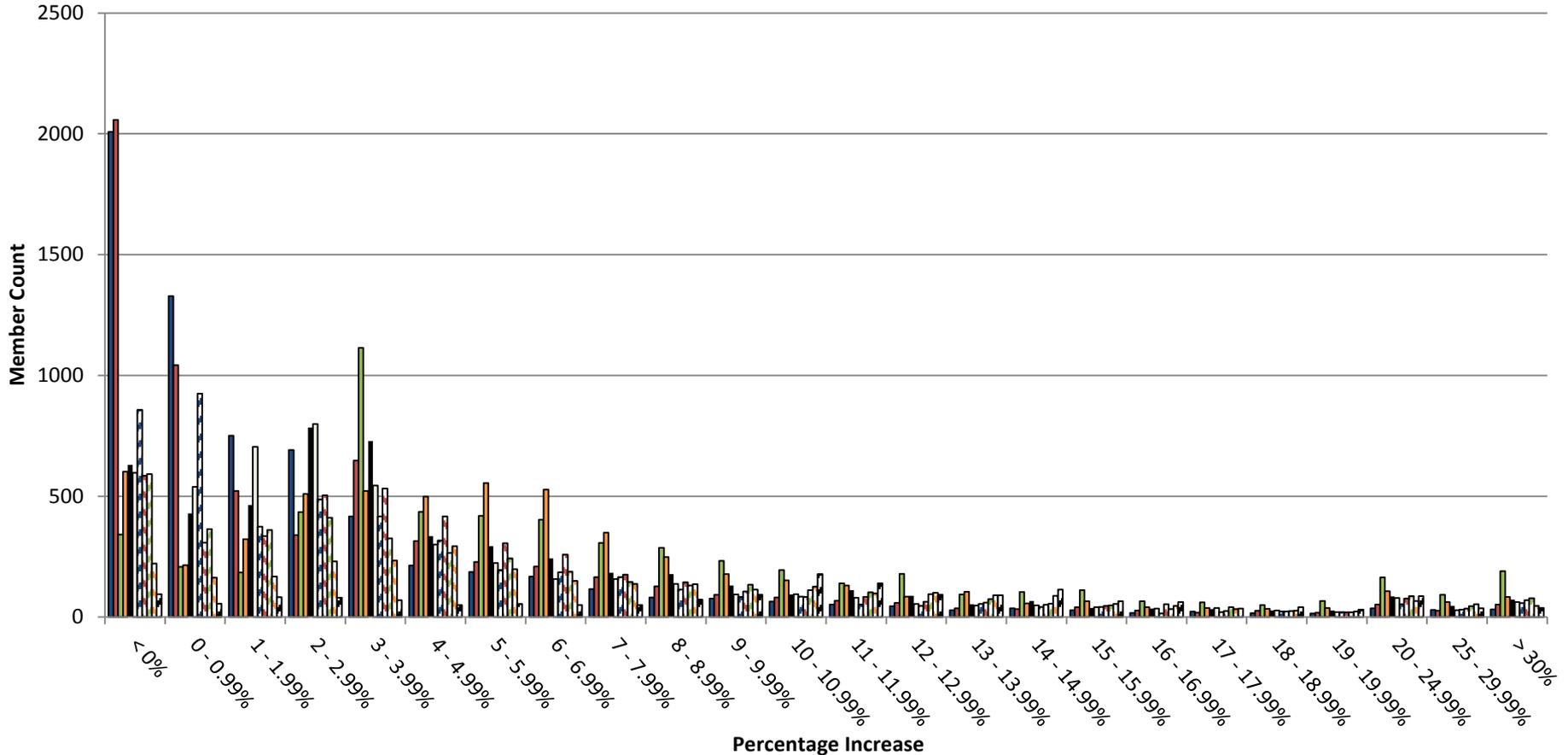


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Salary History – State



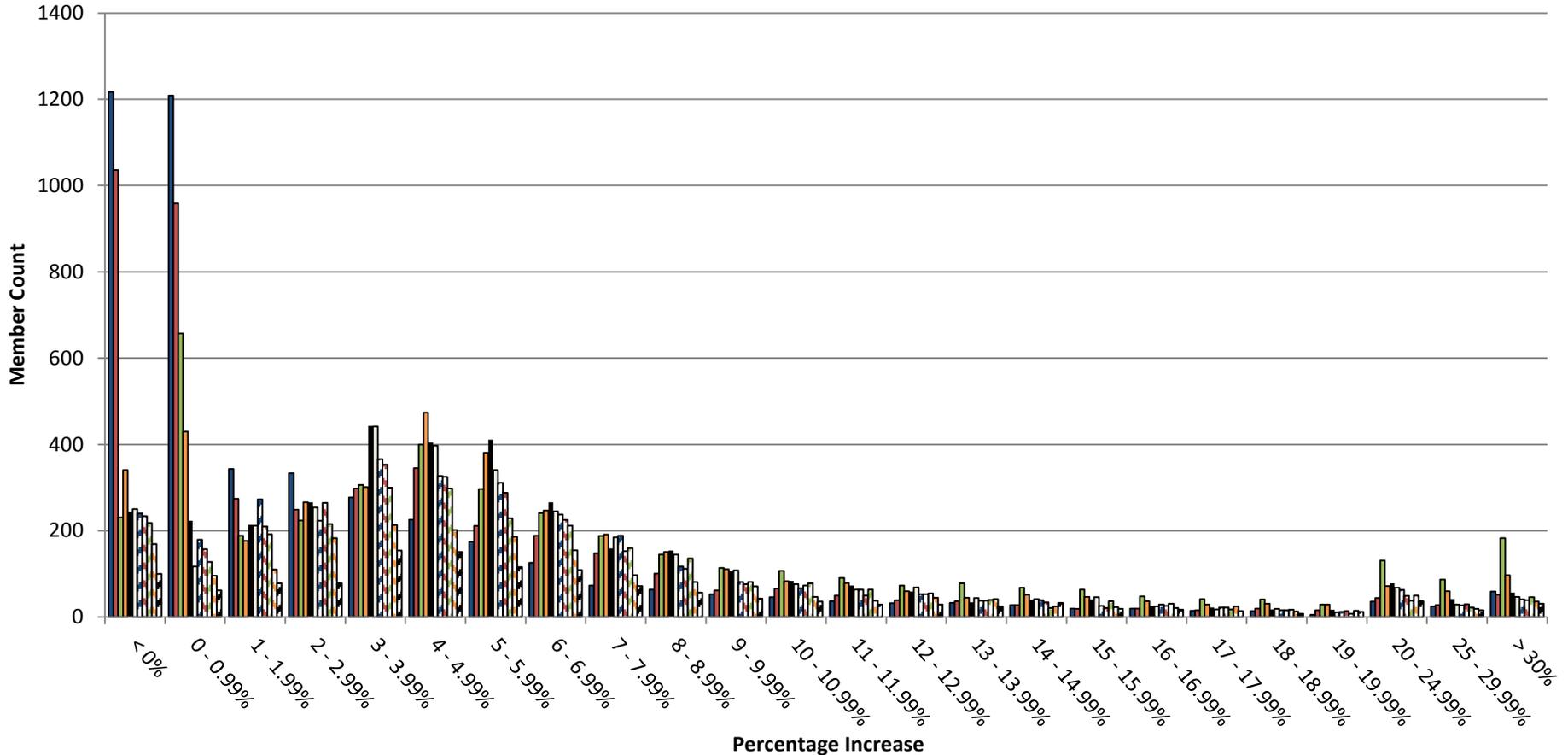
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Salary History – Counties



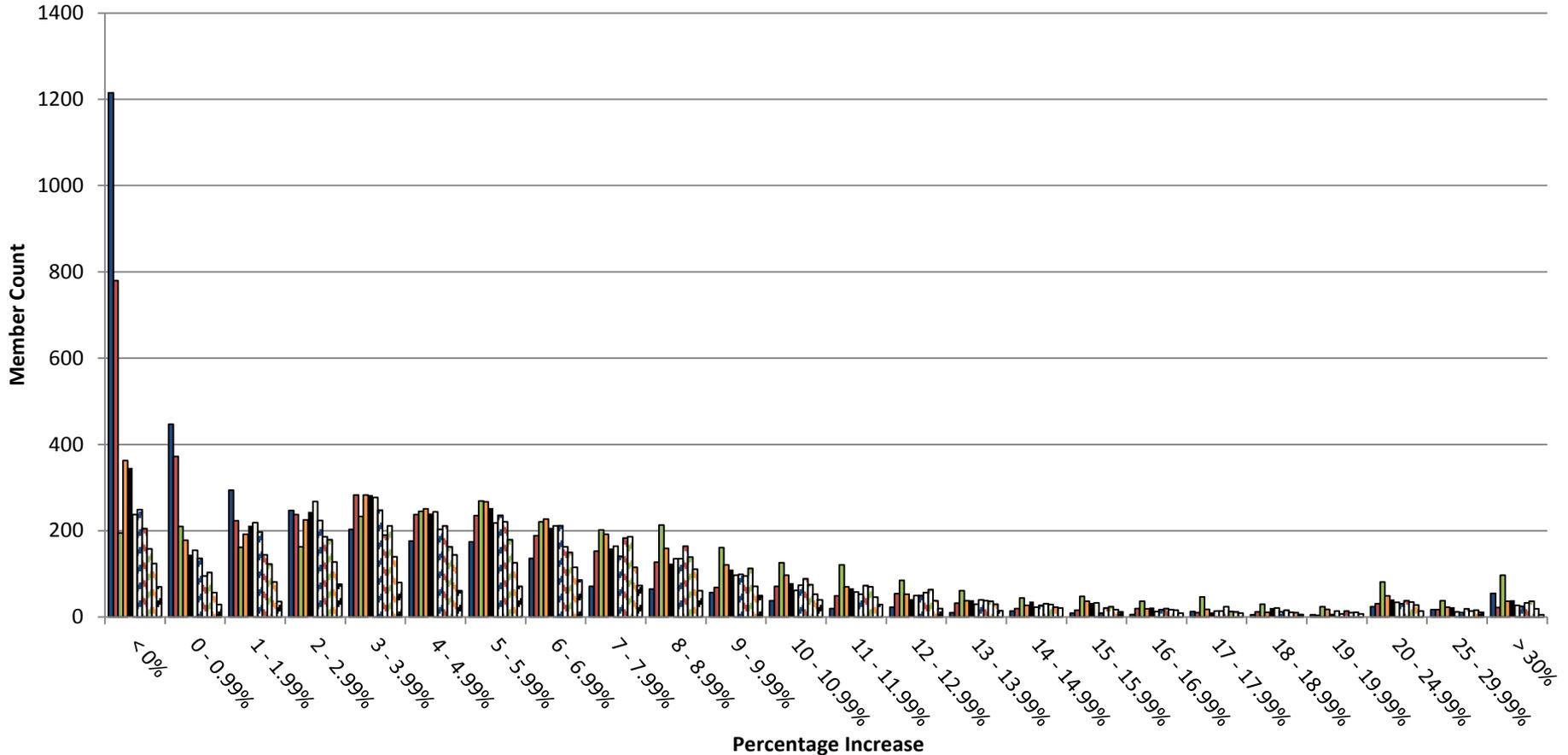
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Salary History – Cities



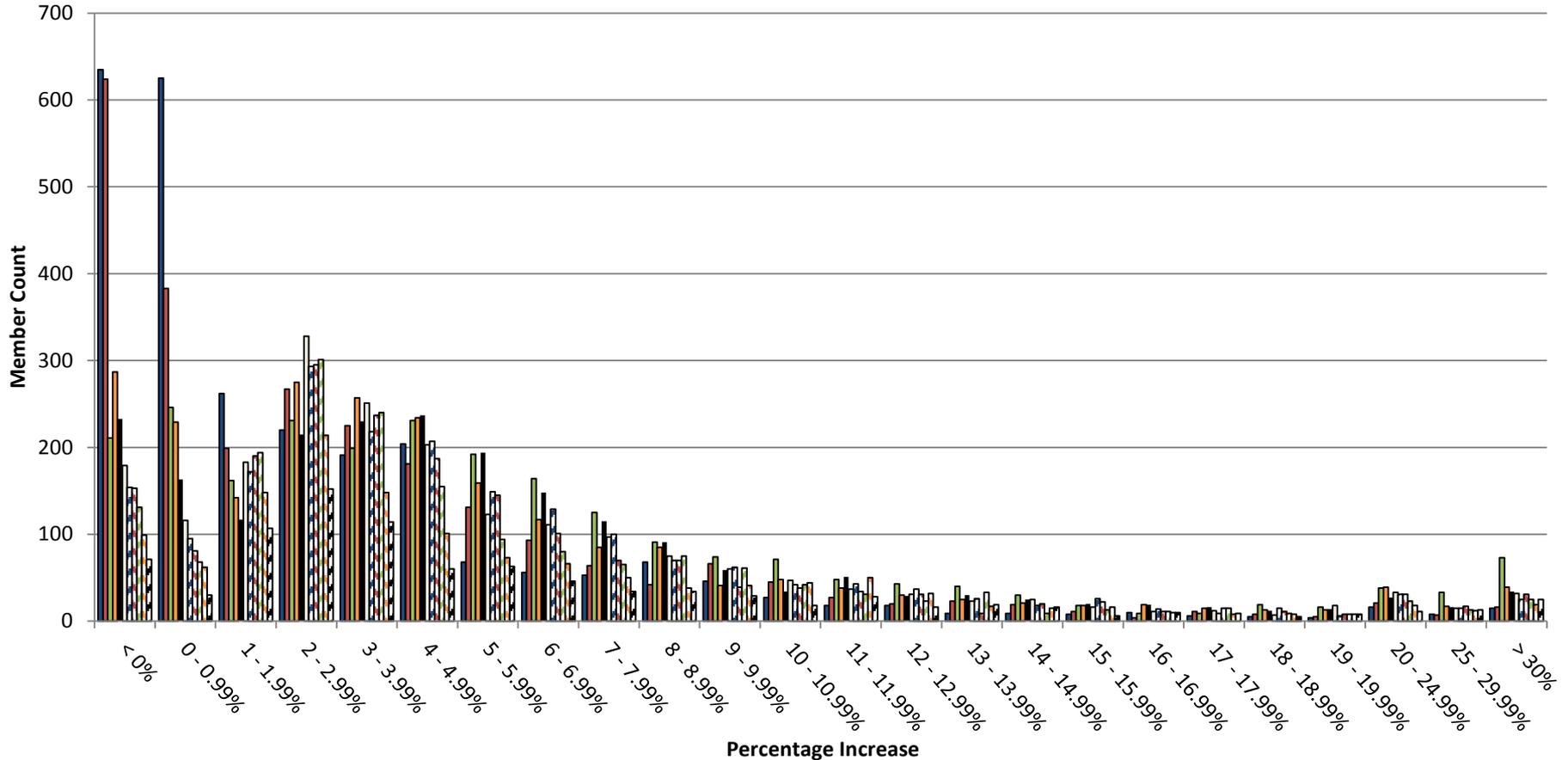
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Salary History – Universities



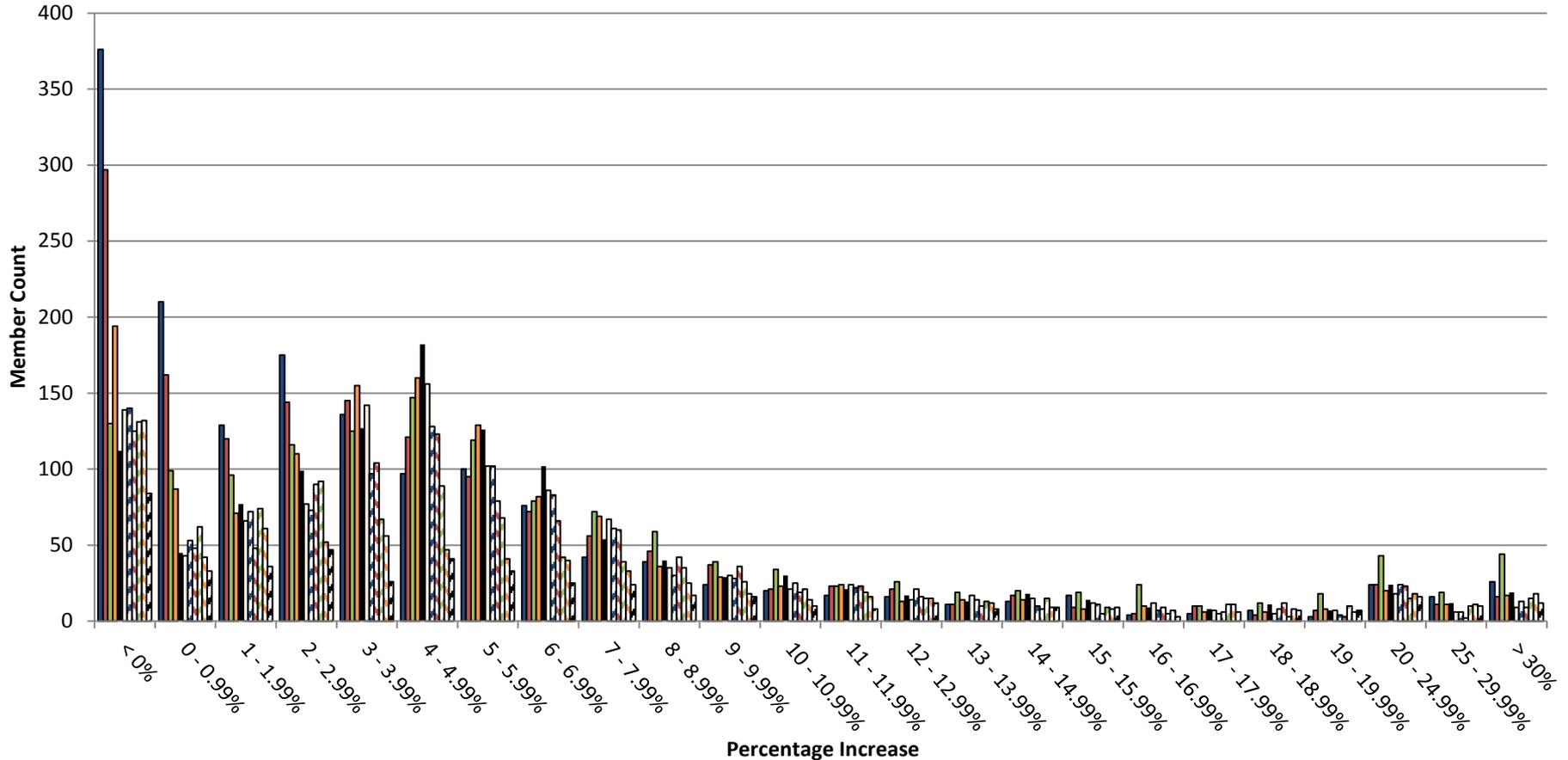
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Salary History – Community Colleges



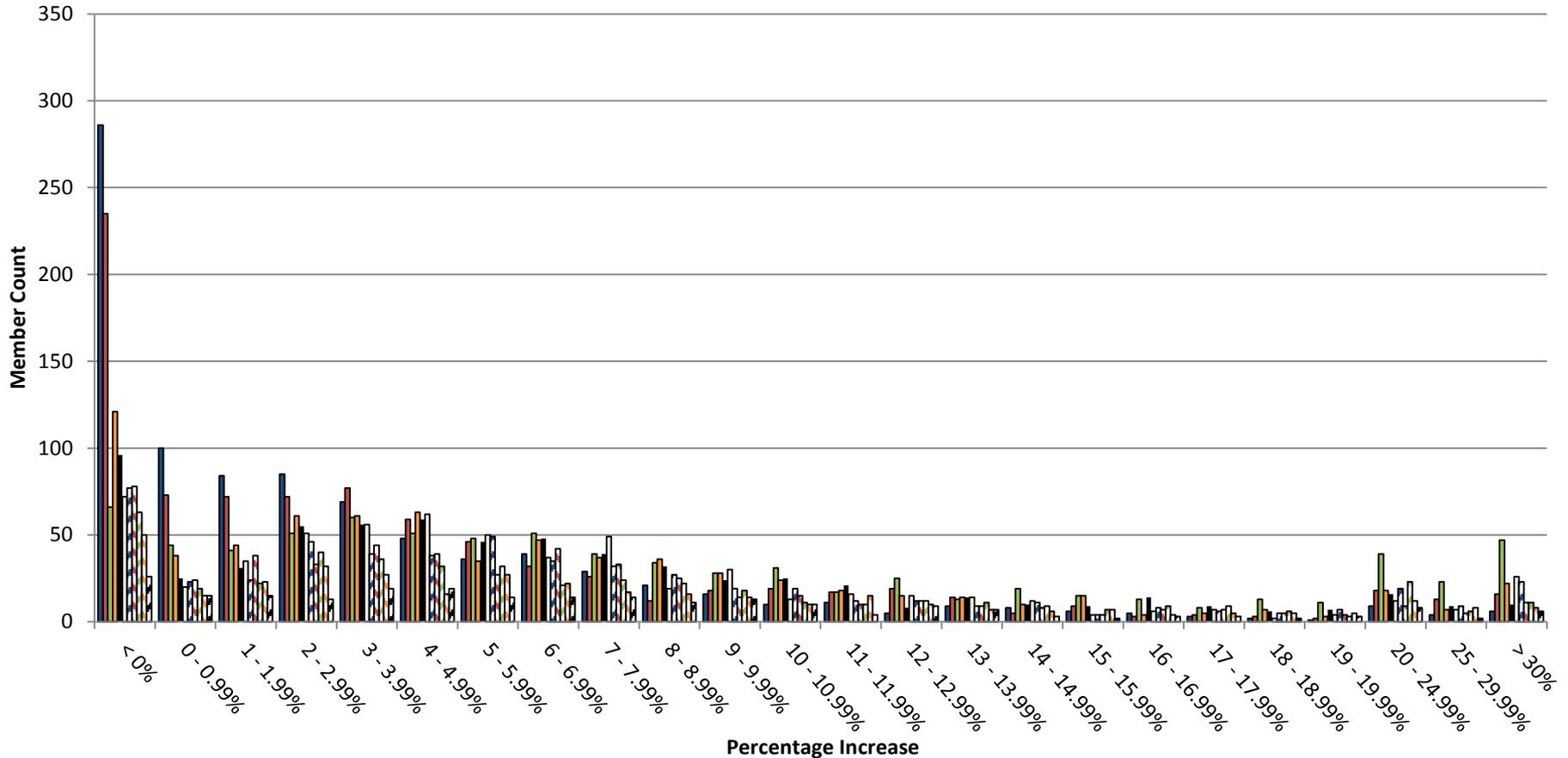
Final Year n = 1,583	Final Year Minus 1 n = 1,474	Final Year Minus 2 n = 1,392	Final Year Minus 3 n = 1,296	Final Year Minus 4 n = 1,196	Final Year Minus 5 n = 1,110
Final Year Minus 6 n = 1,037	Final Year Minus 7 n = 966	Final Year Minus 8 n = 886	Final Year Minus 9 n = 700	Final Year Minus 10 n = 499	

Average Change for Members with Full History: 4.61%

Average Change During FAS Period: 4.86%



Salary History – Political Subdivisions



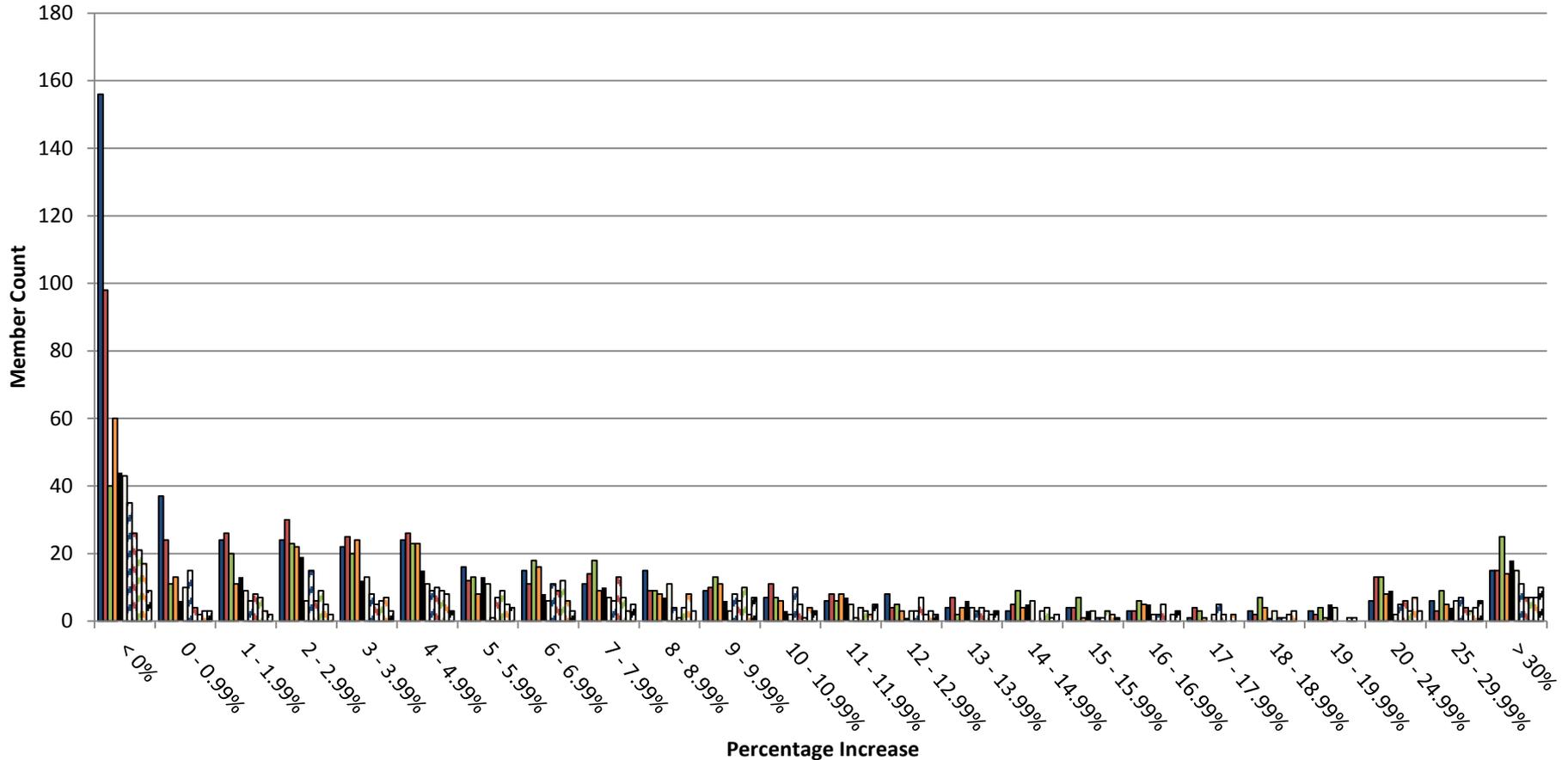
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Final Year Minus 6 n = 553	Final Year Minus 7 n = 503	Final Year Minus 8 n = 456	Final Year Minus 9 n = 361	Final Year Minus 10 n = 235	

Average Change for Members with Full History: 5.23%

Average Change During FAS Period: 5.19%



Salary History – Charter Schools



Final Year n = 422	Final Year Minus 1 n = 366	Final Year Minus 2 n = 311	Final Year Minus 3 n = 269	Final Year Minus 4 n = 220	Final Year Minus 5 n = 187
Final Year Minus 6 n = 167	Final Year Minus 7 n = 144	Final Year Minus 8 n = 128	Final Year Minus 9 n = 107	Final Year Minus 10 n = 082	

Average Change for Members with Full History: 6.69%

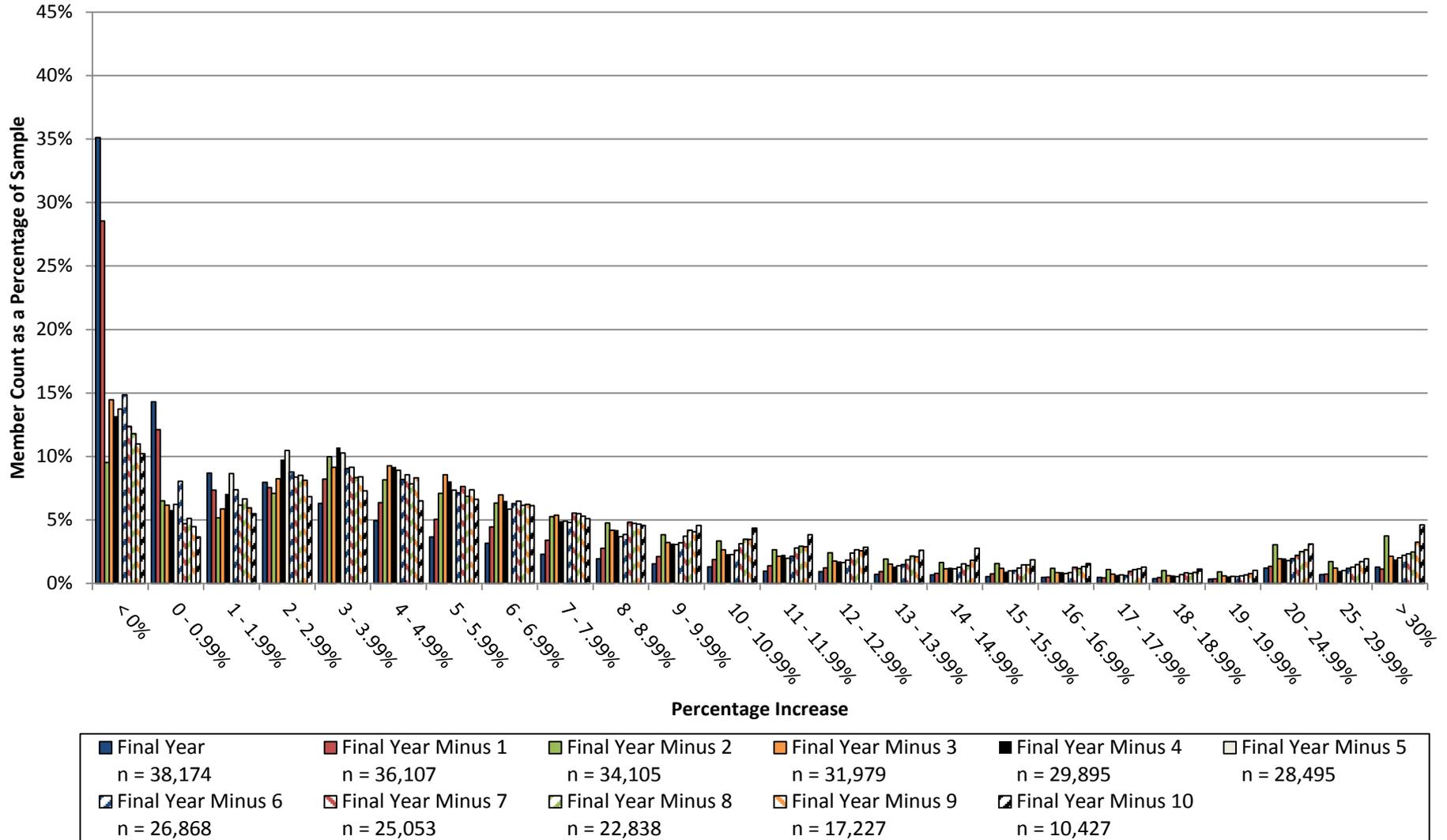
Average Change During FAS Period: 6.62%



Percentage of Members in Sample by Salary Change Range (Small Salary Change Ranges)



Salary History - All Employer Types

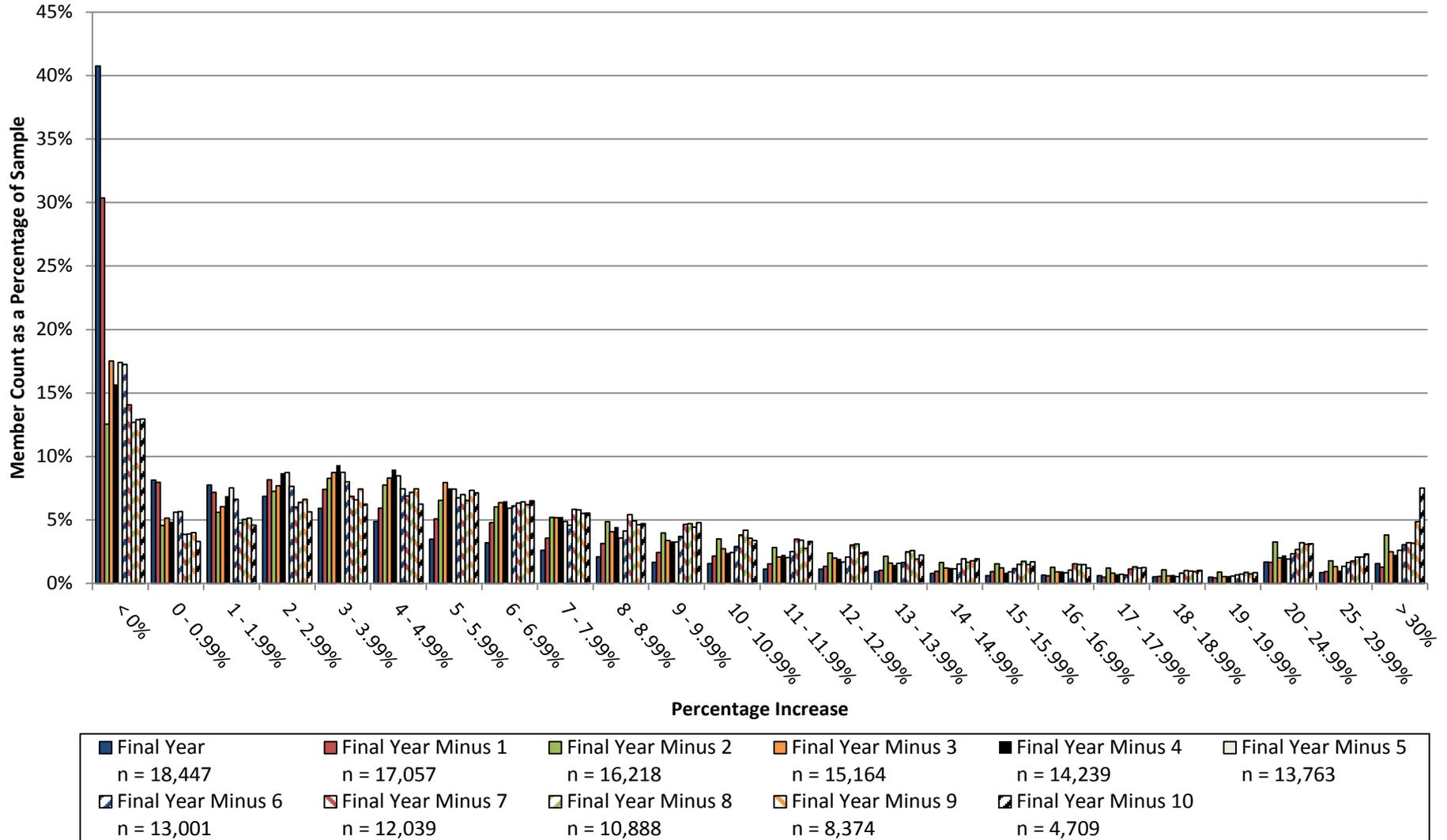


Average Change for Members with Full History: 4.85%

Average Change During FAS Period: 4.34%



Salary History – K-12 Public Schools

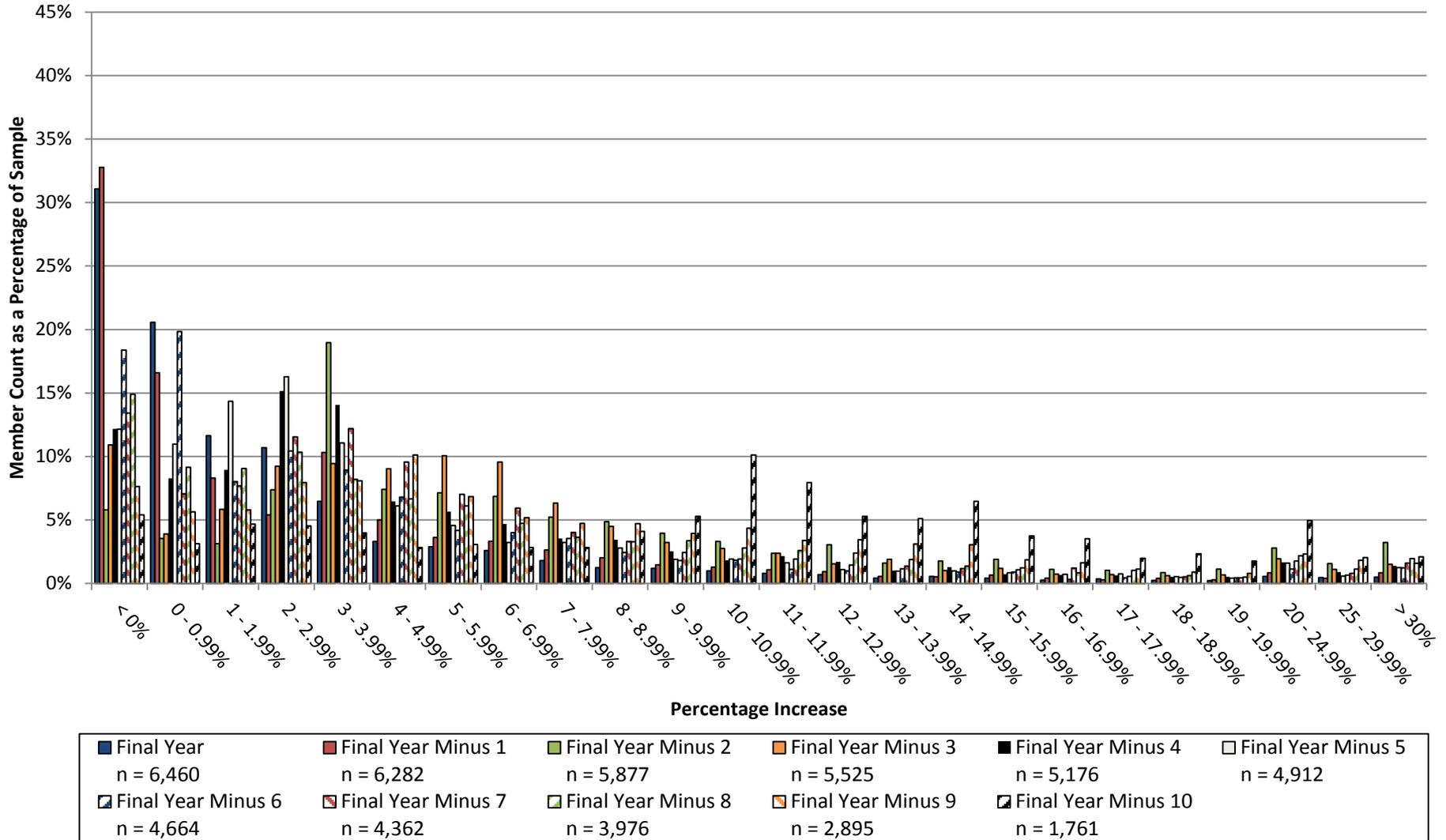


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Average Change During FAS Period: 4.40%



Salary History – State

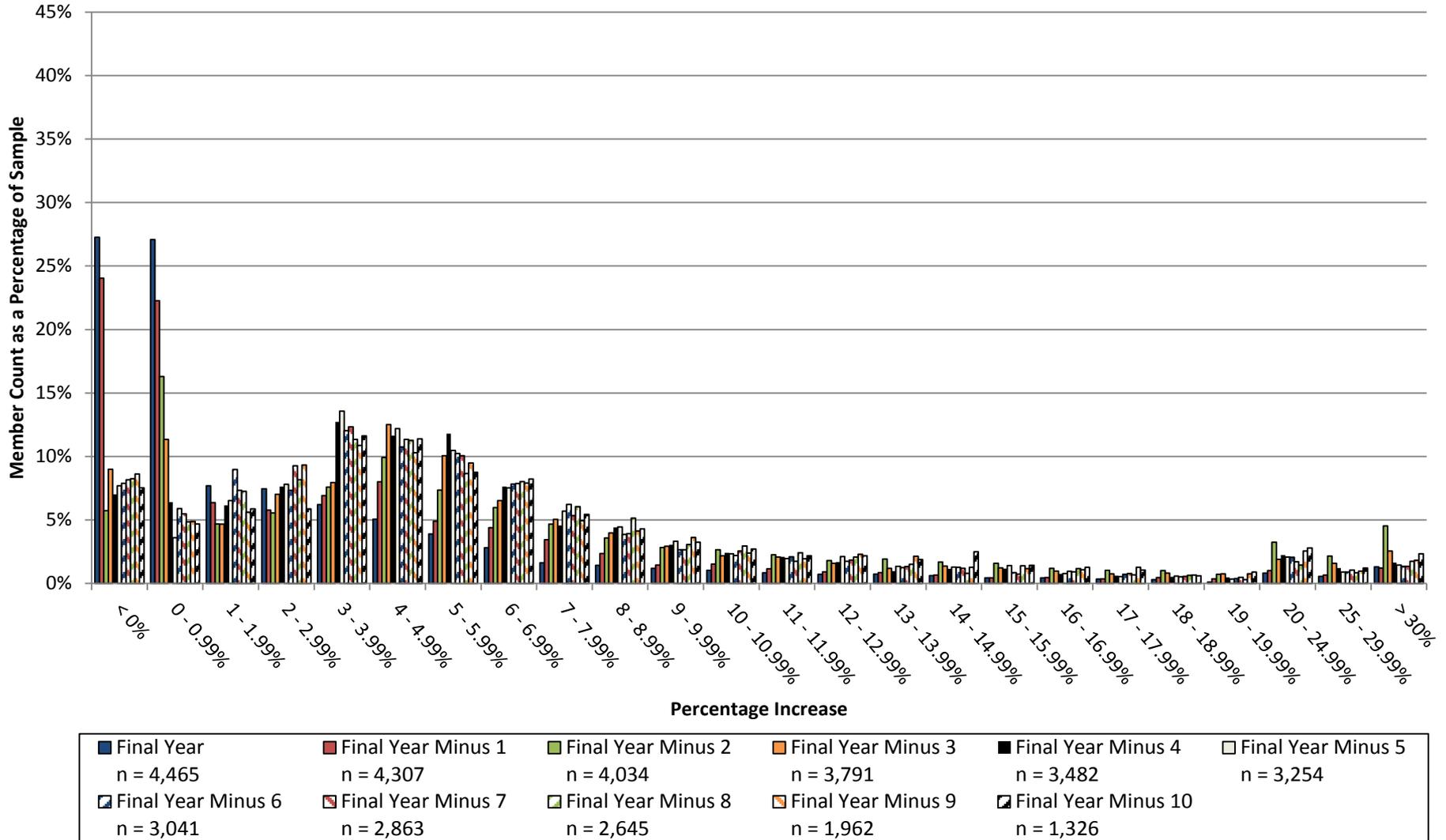


Average Change for Members with Full History: 4.53%

Average Change During FAS Period: 3.88%



Salary History – Counties

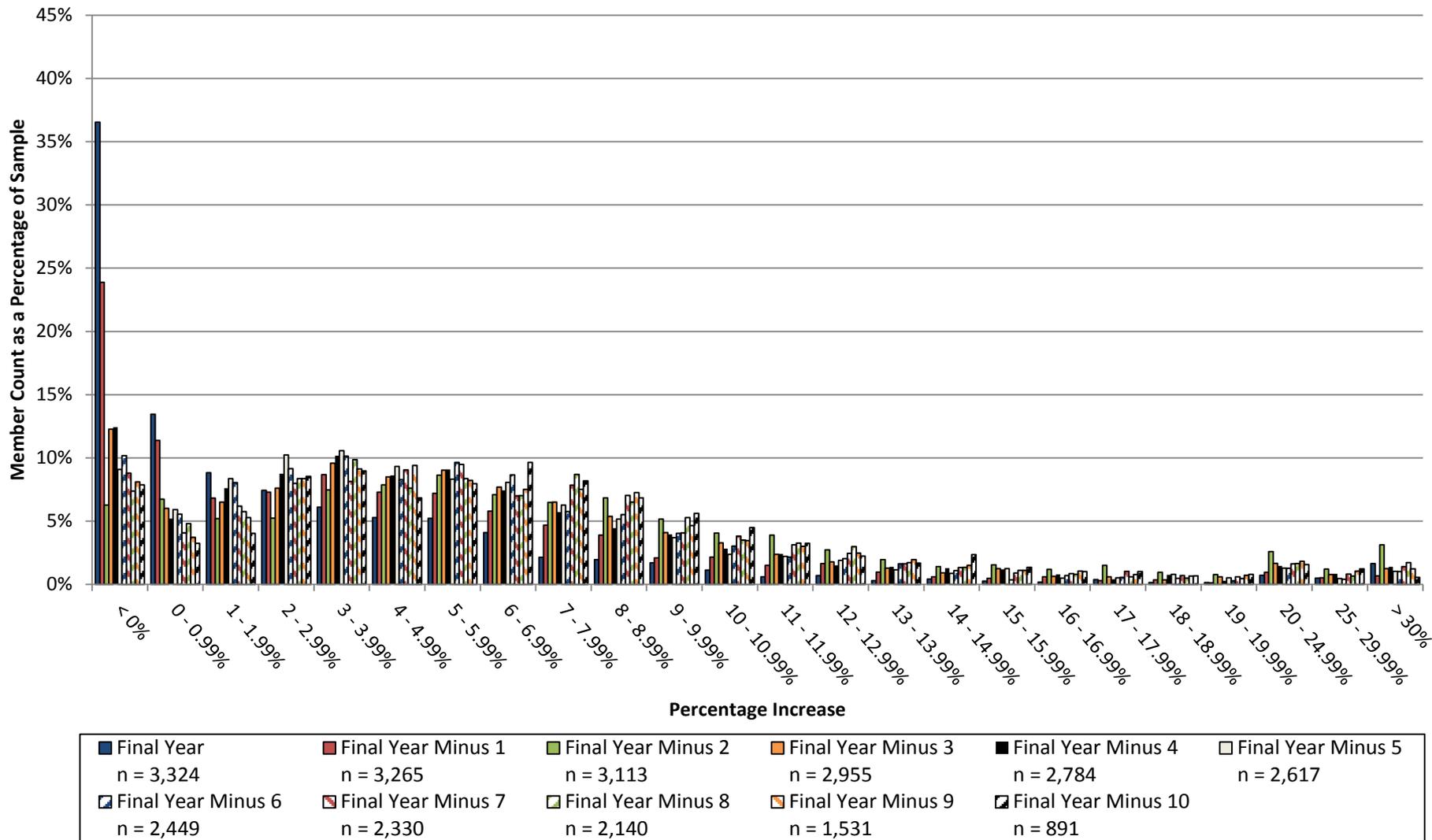


Average Change for Members with Full History: 4.87%

Average Change During FAS Period: 4.37%



Salary History – Cities

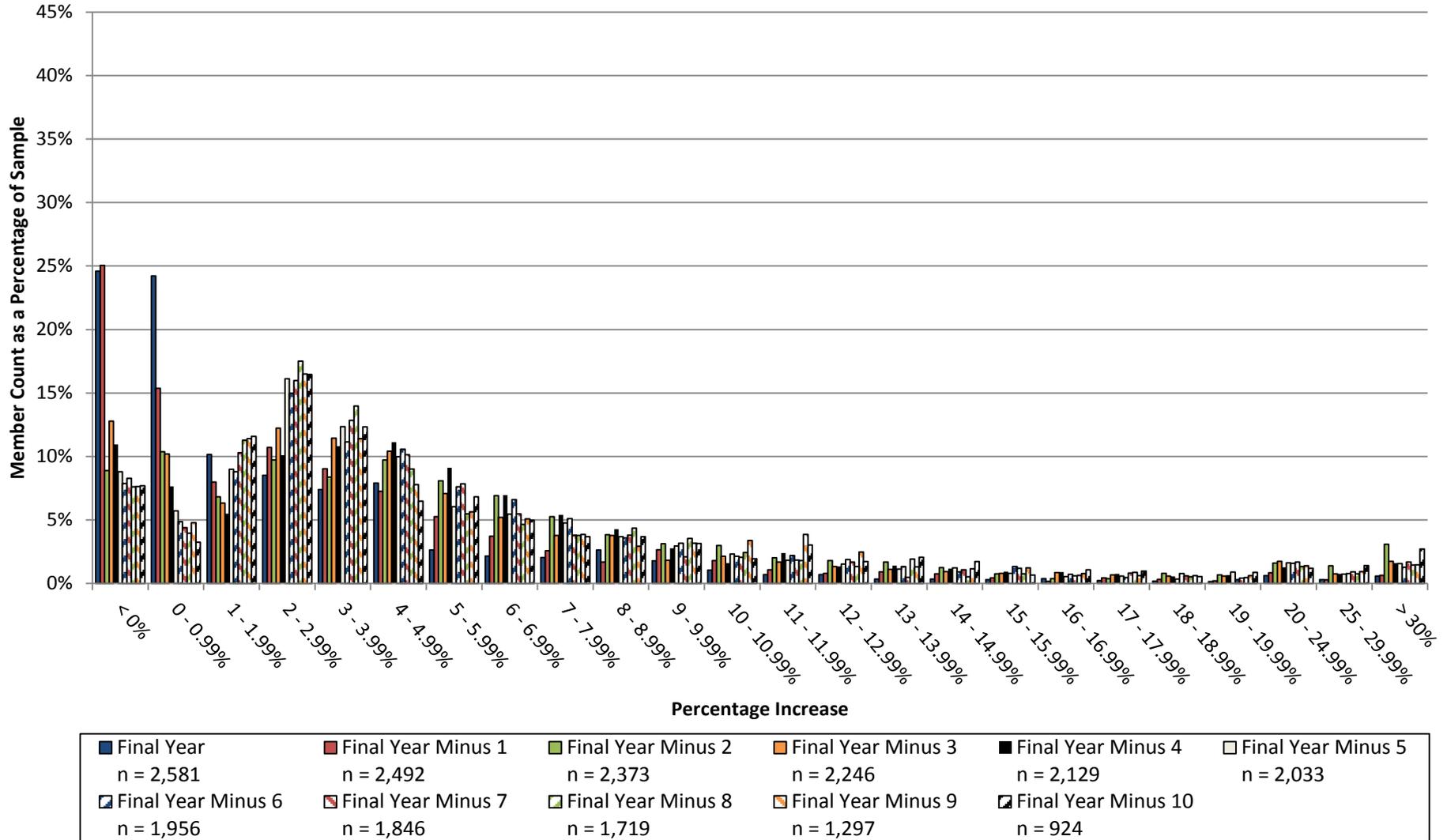


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Salary History – Universities

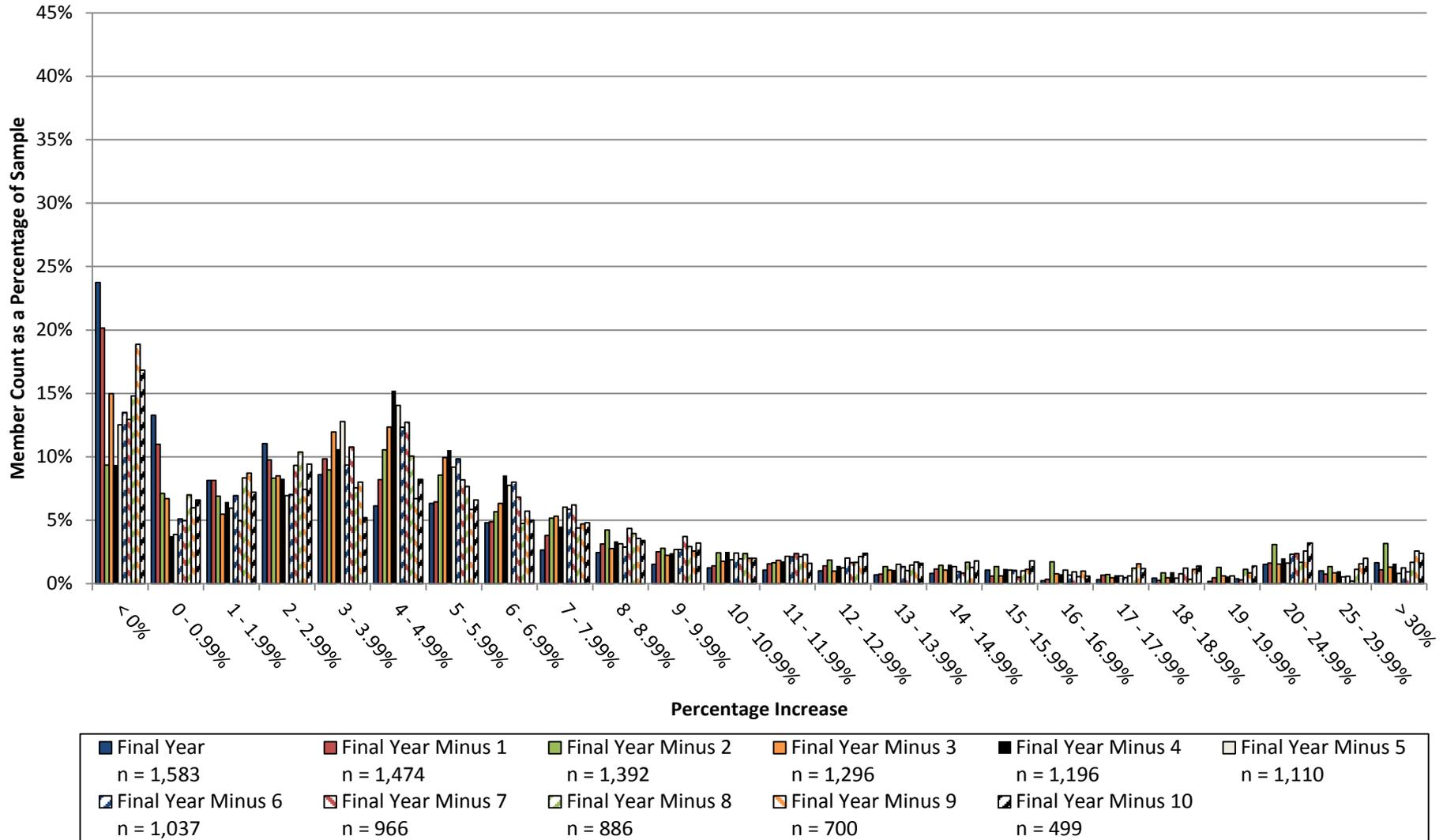


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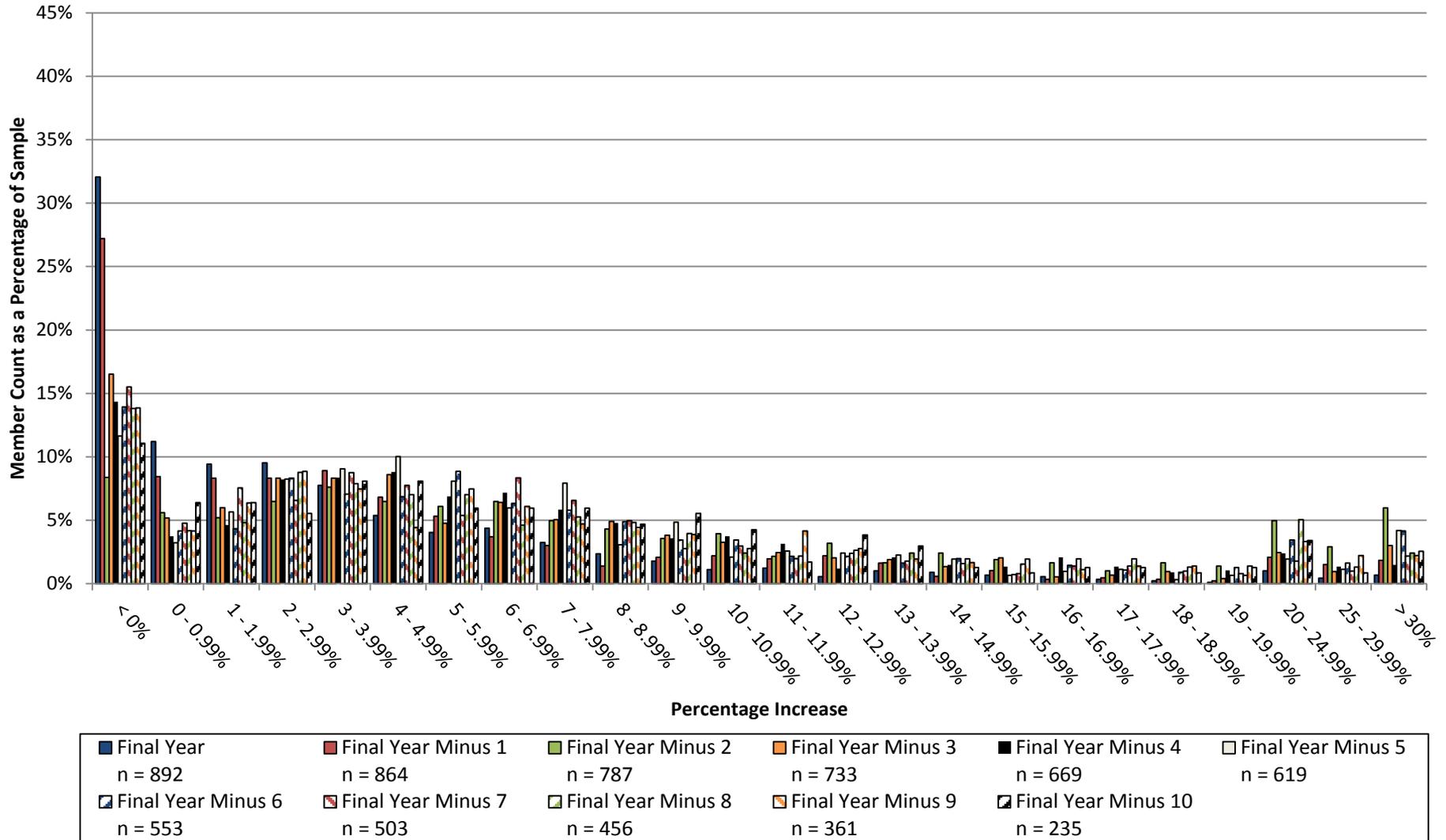


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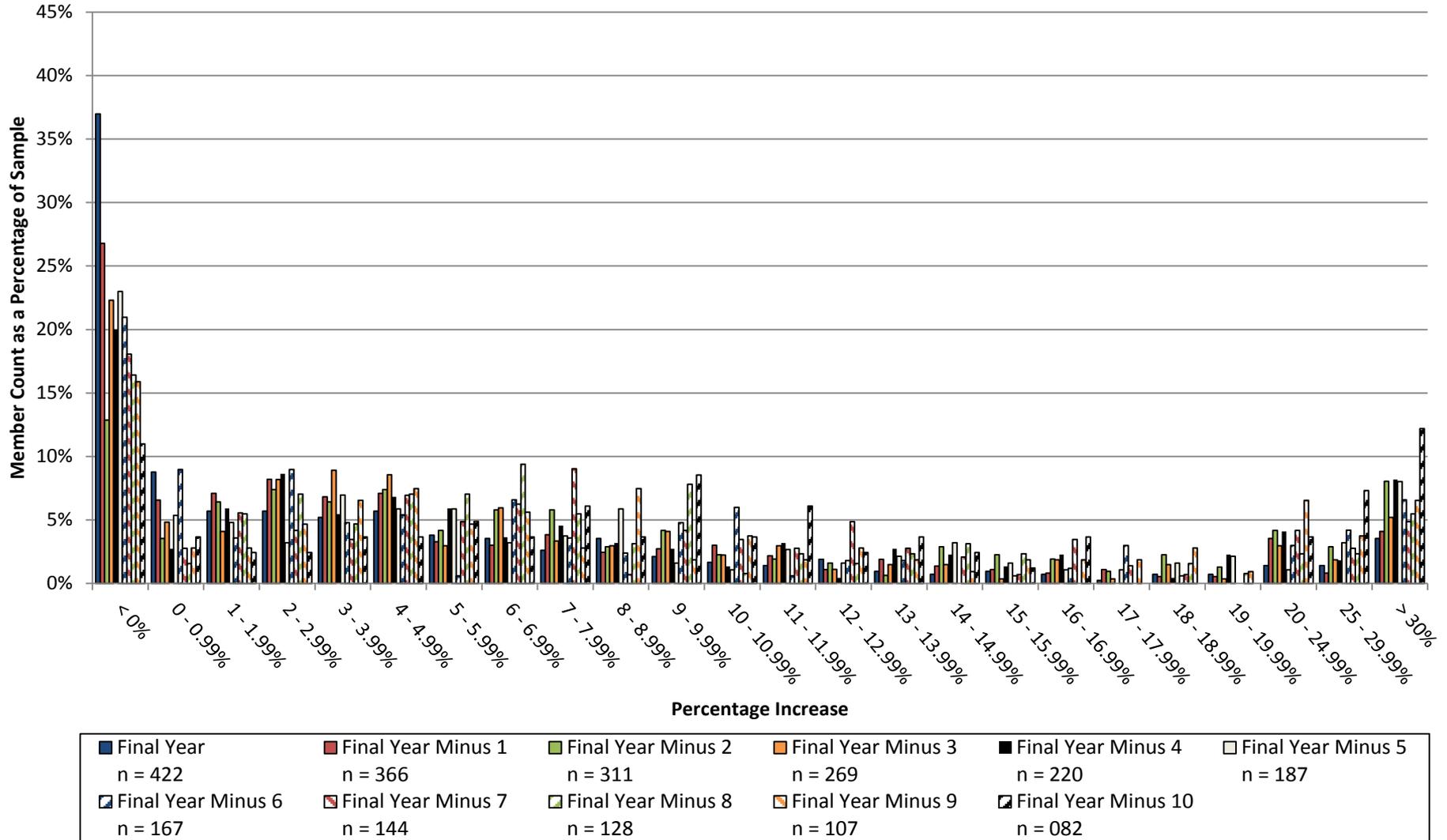


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Salary History – Charter Schools



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Aggregate Salary Experience Compared to Assumed Salary Increases

- Experience Study for the 5-Year Period Ended June 30, 2002
 - Experience showed the inflation component (4.25%) and productivity component (0.25%) were appropriate and no recommendation for change was made.
- Experience Study for the 5-Year Period Ended June 30, 2007
 - Experience supported a recommendation the salary scale assumption for service years 3 - 19 be increased by 0.25%.
- Between Experience Studies
 - Experience supported a recommendation the wage inflation assumption (a component of the salary scale) be reduced by 0.50% effective June 30, 2011.
- Experience Study for the 5-Year Period Ended June 30, 2012
 - Experience supported a recommendation the salary scale be reduced by 25% of the June 30, 2012 valuation rates.



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director

DATE: May 16, 2014

RE: **Agenda Item #5:** Presentation, Discussion, and Appropriate Action Regarding Strategic Topics to be Discussed by the Board during Fiscal Year 2015

Purpose

To discuss which strategically focused topics the Board would like discussed during the upcoming fiscal year.

Recommendation

Information item only; no action required.

Background

As outlined in the Board Governance Handbook, staff has compiled a list of potential strategically focused topics for discussion at Board meetings in the upcoming fiscal year. These topics have been identified based on:

- Dialog at Board and Committee meetings
- Discussions between the Director and the Board Chair
- Discussions between Executive Staff and Board Committee Chairs
- Discussions between Executive Staff and Senior Management

Staff requests Trustees review the list and provide feedback to the Director regarding their priorities during or after the May Board meeting. Based on these discussions, staff will schedule each of these strategically focused topics for discussion at a future Board meeting during fiscal year 2015 (July 1, 2014 – June 30, 2015).

1. Fiduciary Role of Trustees

- Role of the Board
- Strategic Direction and Overseeing Versus Management and Execution
- Generational Equity Versus Funding Rapidity

2. Board Governance Model

- Optimal Reporting Requirements
- Disseminating Consultant Opinions to the Board
- Disseminating Staff Opinions to the Board
- Incorporating Trustee Expertise within the Governance Model

3. Asset Allocation

- Issues to Consider: Liabilities, Monetary Intervention, Diversification, Equity Allocations, Risks, Volatility, etc.
- Current Objectives, Beliefs, etc.
- Best / Most Appropriate Fit
- Expected Long Term Rate-of-Return
- Impacts of Changing the Long Term Rate-of-Return
- Impacts of Not Meeting the Long Term Rate-of-Return
- Peer & Non-Peer Comparative Implications (Corporate, Other States, Endowments)
- Compared to Assumed Rate
- Financial Implications for Funded Status
- Financial Implications for Contribution Rates: Magnitude and Timing

4. Operational Capacity

- Budget Process
- Staffing Strategies
- Risks: IT Security, Investment Management, Customer Service

5. Member Service Paradigm

- Current Services Offered
- Current Challenges
- Current Paradigm
- Future Service Development
- Communications
- Compliance

6. Employer Service Paradigm

- Current Services Offered
- Current Challenges
- Current Paradigm
- Future Service Development
- Communications
- Compliance

7. Membership Rules

- Current Definitions
- Current Issues
- Consideration of Possible Modifications

8. Health Care: Implications of Federal Legislation, Market Place Dynamics, and Key Economic Components of the ASRS Paradigm

- Status Quo
- Possible Direction of ASRS Health Insurance Programs
- Impact of Exchanges on ASRS HI Programs
- Retrospective Rate Adjustment and Converted Funds
- Whole Case Underwriting

Attached, taken from the Board Governance Policy Handbook, is the Strategic planning Policy.

A. STRATEGIC PLANNING POLICY (updated 10/25/2013)

General

Strategic planning is essential to ensuring the sound governance, oversight, and management of the ASRS. Since 1998, the ASRS has built its operation around a strategic model based on five organizing principles:

1. Look ahead with clarity of purpose by establishing an agency Vision, Values, Priorities, and Goals
2. Measure performance
3. Initiate strategic initiatives, as needed
4. Construct cost-efficient budgets and an effective workforce; and
5. Implement strong governance practices

The objectives of this policy are to:

1. Ensure that strategic priorities of the ASRS are primarily determined by the Board of Trustees, with active engagement, including recommendations, by the Director and senior staff.
2. Outline the process the ASRS will utilize when developing a Strategic Plan.
3. Describe how the Director will communicate with the Board regarding the agency's progress implementing the plan.

Strategic Planning Policy

The Board and Director will work collaboratively to ensure that:

1. Strategic priorities facing the ASRS over the short, medium, and long-term are identified, discussed, prioritized, and included in the Strategic Plan.
2. Strategic planning discussions remain focused on strategic issues that have been identified, and the strategic direction of the ASRS.
3. Strategies are developed and incorporated into the Strategic Plan to address the short, medium, and long-term priorities that have been identified by the Board.
4. The Board is updated at least annually regarding the agency's progress addressing strategic priorities.
5. Adequate resources are in place to support the successful execution of the Strategic Plan.
6. The agency's governance policy is periodically examined and updated to ensure that sound governance practices are in place.
7. Delineation of authority and autonomy is regularly discussed.

Strategic Planning Development Process

1. In preparation for Board meetings with strategic planning agenda items, the Director will ask the Board Chair for direction on how to proceed in discussing, modifying, or developing strategic priorities.
2. At least once annually, during Board meetings with strategic planning agenda items, the Trustees and Director will determine:
 - a. Which strategic topics they would like discussed during the year.
 - b. The number of Board meetings they would like to devote to strategic planning.
 - c. Preferences for how strategic discussions should be facilitated.
 - d. To facilitate the discussion, the Director will provide Trustees with a recap of:
 - Strategically-focused topics that have been discussed at prior Board and Committee meetings,
 - Strategically focused topics that have been requested by Trustees, but not yet scheduled for discussion,
 - Strategically focused topics that the Director recommends be considered for discussion.
3. Based on Trustee feedback, staff will develop a planning schedule for the upcoming year.

Taken from Board Governance Policy Handbook

4. During strategic planning sessions, staff will provide background information, if needed, on topic areas that have been scheduled for discussion. This background information could include topical research, performance data, or staff's current analysis of the organization's strengths, weaknesses, opportunities, and threats, or other material requested by Trustees.
5. The Strategic Plan can be modified iteratively over its term or it can be modified only in preparation for a new Strategic Plan.
6. In the final year of the current Strategic Plan, trustees and the Director will focus Board Meetings with strategic planning agenda items on the identification of priorities for the next Strategic Plan.

Strategic Plan Reporting

1. Once the Board has identified its strategic priorities, the Director will work with staff to develop implementation strategies and performance measures for each of the priorities.
2. Staff will report at least annually to the Board on its progress addressing the strategic priorities that have been identified.
3. Trustees or the Director may request that priorities be added or deleted as needed.



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director

DATE: May 16, 2014

RE: **Agenda Item #6:** Notification of Upcoming Board Elections to Occur at the June 27, 2014 Board Meeting

Purpose

To discuss the upcoming Board elections.

Recommendation

Information item only; no action required.

Background

The ASRS Board Governance Policy Handbook states the Board will elect a Board Chair and Vice-chair annually.

Any Trustee may serve as a Board officer and any Trustee may make nomination(s) for Board officer positions, including him or herself. The nominations and elections will take place next month at the June 27 Board meeting.

The Board officers will serve for the fiscal year following their election.



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Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board

FROM: Mr. Paul Matson, Director
Mr. Bernard Glick, Chief Internal Auditor

DATE: May 16, 2014

RE: Internal Audit Review of Internal Investment Validation for the month ending April 30, 2014

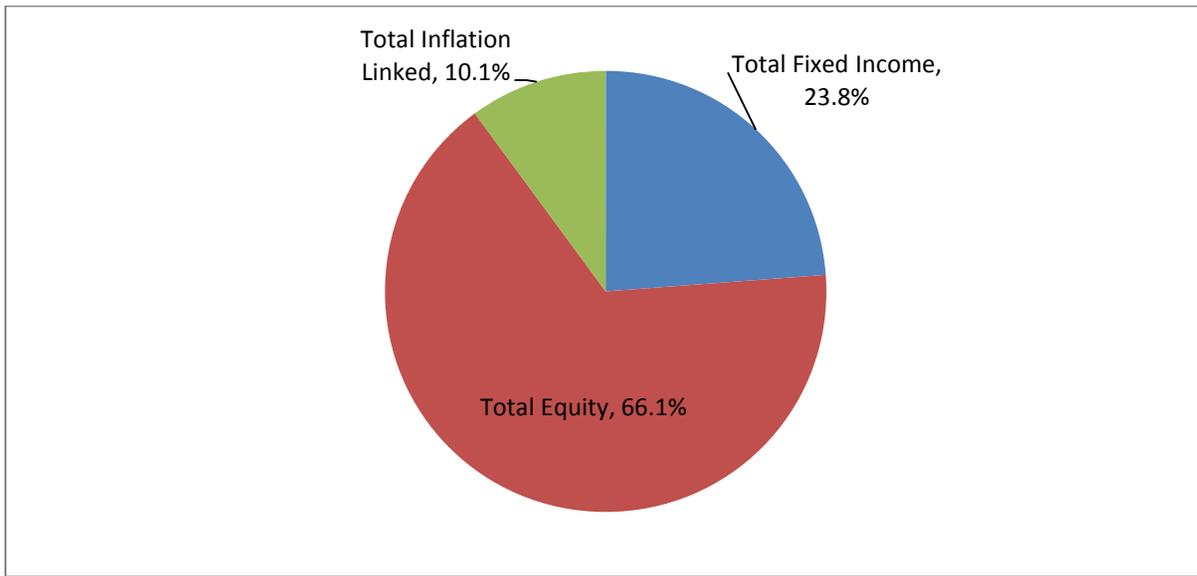
The Internal Audit Division reviewed 2,495 trade transactions in the month of April on all the activity in the E2, E3, E4, E6, E7, E8 and F2 accounts. Our review included:

- Determining the transaction was properly approved
- Reviewing the transaction for mathematical accuracy
- Ensuring the description and ticker symbol matched the CUSIP number
- Reconciliation of transaction from trade ticket to custody bank transaction download
- Other tests we deemed appropriate

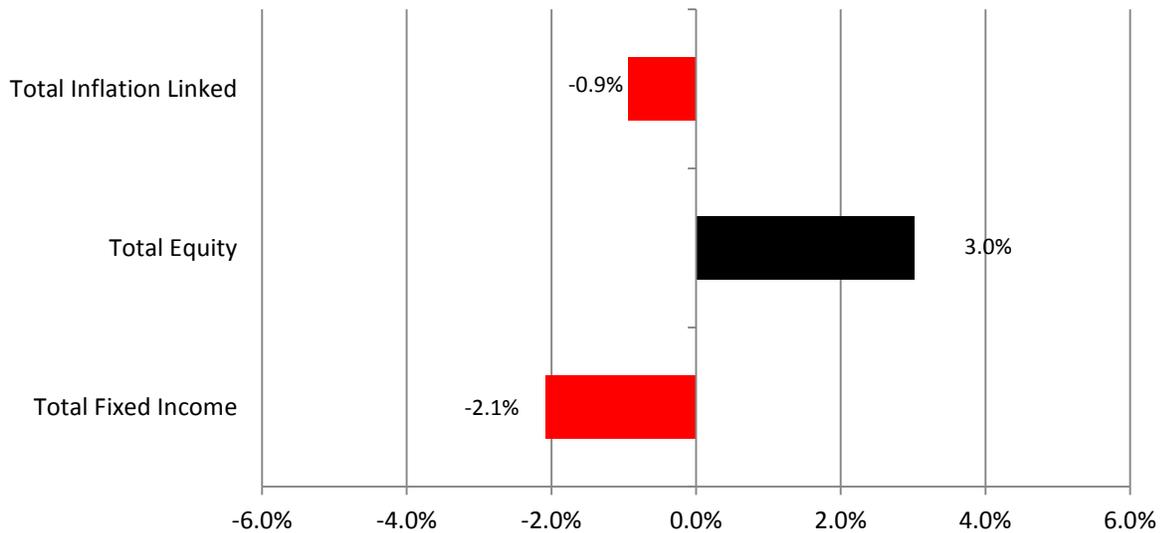
No infractions were noted during our review. Based on this review, we believe the procedures for executing and reporting internal investment transactions have been followed for this time reportable period.

TOTAL FUND POSITIONING – 04/30/2014

ACTUAL PORTFOLIO



ACTUAL PORTFOLIO (ASSUMED GTAA ALLOCATION VS. ADJUSTED SAA POLICY *)



*Real Estate and Private Equity actual weight is equal to policy weight during the implementation of the asset class.

*Over/Underweights include both GTAA positions as well as IMD tactical considerations.

Note: Opportunistic & Private Debt, Opportunistic Private Equity, Farmland & Timber, Real Estate and Private Equity market values are reported on a quarter-lag and adjusted to include the current quarter's cash flows. Within the Assumed GTAA Allocation vs. Adjusted SAA Policy chart, Real Estate was prorated to domestic equity, international equity and fixed income. Private Equity was prorated to domestic equity.

Pension (Plan, System, HBS Assets)

ASRS Market Value Report

As of: Wednesday, April 30, 2014

Account Manager	Account Manager Style	Fixed Income		Equity		Inflation Linked		Total	Pct of Fund
		Active	Enh/Passive	Active	Enh/Passive	Active	Enh/Passive		
State Street B&T: Boston	Master Cash & Pension Acct.		454,144,689					454,144,689	1.35%
	Cash Total							\$454,144,689	1.35%
PIMCO: Newport Beach	Active (Core)	153,483,067						153,483,067	0.46%
GTAA Managers (2)	Active GTAA	1,146,156,586						1,146,156,586	3.40%
Blackrock: San Francisco	Passive (Intermediate Gov Credit)		23,657,541					23,657,541	0.07%
ASRS: Phoenix	Enhanced Passive F2		1,956,591,179					1,956,591,179	5.81%
Blackrock: San Francisco	Passive (US Debt Index)		452,562,587					452,562,587	1.34%
	Core Fixed Income Total							\$3,732,450,960	11.08%
	Core Fixed Income Policy								13.00%
Columbia: Minneapolis	Active	736,628,056						736,628,056	2.19%
Shenkman: Connecticut	Active	173,149,592						173,149,592	0.51%
JP Morgan: Indianapolis	Active	325,797,896						325,797,896	0.97%
	High Yield Fixed Income Total							\$1,235,575,544	3.67%
	High Yield Fixed Income Policy								5.00%
	US Fixed Income Total							\$4,968,026,503	14.75%
	US Fixed Income Policy Range: 8% - 28%								18.00%
PIMCO (local): Newport Beach	Active	340,627,415						340,627,415	1.01%
Ashmore (blended): London	Active	545,566,741						545,566,741	1.62%
	EM Debt Total							\$886,194,155	2.63%
	EM Debt Policy								4.00%
	Opportunistic Debt							\$837,810,230	2.49%
	Opportunistic Debt Policy Range: 0% - 10%								0.00%
	Private Debt Total							\$872,332,077	2.59%
	Private Debt Policy								3.00%
	Fixed Income Total							\$8,018,507,654	23.81%
	Total Fixed Income Policy Range: 15% - 35%								25.00%
Intech: FL	Active (Growth)		506,454,834					506,454,834	1.50%
LSV: Chicago	Active (Value)		773,821,744					773,821,744	2.30%
GTAA Managers (2)	Active GTAA		1,073,173,832					1,073,173,832	3.19%
ASRS: Phoenix	Passive E2			4,799,843,097				4,799,843,097	14.25%
ASRS: Phoenix	Enhanced Passive E7			780,212,036				780,212,036	2.32%
ASRS: Phoenix	Enhanced Passive E8			502,844,492				502,844,492	1.49%
ASRS: Phoenix	Risk Factor Portfolio			488,190,780				488,190,780	1.45%
	Large Cap Equity Total							\$8,924,721,796	26.50%
	Large Cap Policy								23.00%
Wellington: Boston	Active (Core)		408,227,029					408,227,029	1.21%
CRM: New York	Active (Value)		97,614,040					97,614,040	0.29%
ASRS: Phoenix	Passive E3 (Growth)			499,827,032				499,827,032	1.48%
ASRS: Phoenix	Passive E4 (Value)			517,340,503				517,340,503	1.54%
	Mid Cap Equity Total							\$1,523,008,604	4.52%
	Mid Cap Policy								5.00%
TimesSquare: New York	Active SMID (Growth)		459,021,663					459,021,663	1.36%
DFA: Santa Monica	Active (Value)		405,055,073					405,055,073	1.20%
Champlain: Vermont	Active (Core)		97,340,345					97,340,345	0.29%
ASRS: Phoenix	Passive E6			482,299,015				482,299,015	1.43%
	Small Cap Equity Total							\$1,443,716,097	4.29%
	Small Cap Policy								5.00%
	U.S. Equity Total							\$11,891,446,496	35.31%
	US Equity Policy Range: 26% - 38%								33.00%
Brandes: San Diego	Active (Value)		538,780,644					538,780,644	1.60%
Aberdeen: Edinburgh	Active (Value)		512,088,077					512,088,077	1.52%
Hansberger: Ft. Lauderdale	Active (Growth)		341,139,817					341,139,817	1.01%
Walter Scott: Edinburgh	Active (Growth)		234,122,542					234,122,542	0.70%
GTAA Managers (2)	Active GTAA		1,009,768,547					1,009,768,547	3.00%
Blackrock: San Francisco	Passive (EAFE)			2,369,724,186				2,369,724,186	7.04%
	Large Cap Developed Non-US Equity Total							\$5,005,625,002	14.86%
	Large Cap Developed Policy								14.00%
AQR: Greenwich	Active (EAFE SC)		175,134,601					175,134,601	0.52%
DFA: Santa Monica	Active (EAFE SC)		225,224,701					225,224,701	0.67%
Franklin Templeton: San Mateo	Active (EAFE SC)		419,602,409					419,602,409	1.25%
Blackrock: San Francisco	Passive (EAFE SC)			461,726,540				461,726,540	1.37%
	Small Cap Developed Non-US Equity Total							\$1,281,692,850	3.81%
	Small Cap Developed Policy								3.00%
William Blair: Chicago	Active (EM)		444,617,871					444,617,871	1.32%
Eaton Vance: Boston	Active (EM)		491,271,808					491,271,808	1.46%
LSV: Chicago	Active (EM)		294,115,806					294,115,806	0.87%
Blackrock: San Francisco	Passive (EM)			660,520,702				660,520,702	1.96%
	Emerging Markets Equity Total							\$1,890,526,187	5.61%
	Emerging Markets Policy								6.00%
	Non-US Equity Total							\$8,177,844,038	24.28%
	Non-US Equity Policy Range: 16% - 28%								23.00%
	Private Equity Total							\$1,988,005,362	5.90%
	Private Equity Policy Range: 5% - 9%								7.00%
	Opportunistic Equity							\$205,684,716	0.61%
	Opportunistic Equity Policy Range: 0% - 3%								0.00%
	Equity Total							\$22,262,980,612	66.10%
	Total Equity Policy Range: 53% - 73%								63.00%
Gresham: New York						861,785,441		861,785,441	2.56%
GTAA Managers (2)	Active GTAA					349,306,365		349,306,365	1.04%
	Commodities Total							\$1,211,091,806	3.60%
	Commodities Policy Range: 1% - 7%								4.00%
GTAA Manager (1)	Active GTAA					53,213,598		53,213,598	0.16%
	Real Estate Total							\$2,089,157,645	6.20%
	Real Estate Policy Range: 6% - 10%								8.00%
	Infrastructure Total							\$0	0.00%
	Infrastructure Policy Range: 0% - 3%								0.00%
	Farmland & Timber Total					99,329,710		\$99,329,710	0.29%
	Farmland & Timber Policy Range: 0% - 3%								0.00%
	Opportunistic Inflation Linked Total							\$0	0.00%
	Opportunistic I/L Policy Range: 0% - 3%								0.00%
	Inflation Linked Total							\$3,399,579,161	10.09%
	Inflation Linked Policy Range: 7%-15%								12.00%
	TOTAL Amounts	\$4,293,741,429	\$3,724,766,225	\$10,700,271,248	\$11,562,709,364	\$3,498,908,871	\$0		
	TOTAL Percent	12.75%	11.06%	31.77%	34.33%	10.39%	0.00%	\$33,681,067,427	Total Fund

Asset Class	Actual Portfolio	SAA Policy: Target (Range)	Rebalancing		Assumed - Adjusted		Policy Band check Actual - Adj	Passive Min	Passive Actual
			Assumed Port	Adj Policy	% diff	\$ diff			
Cash	1.35%								
Core	11.08%	13%						50%	68%
High Yield	3.67%	5%							
US Fixed Income	14.75%	18% (8-28%)	15.71%	18.5% (9-29%)	-2.79%	-\$939,216,001	OK		
EM Debt	2.63%	4%		4.00%					
Opportunistic Debt	2.49%	0% (0-10%)	2.49%	0% (0-10%)	2.49%	\$837,810,230	OK		
Private Debt	2.59%	3%		3.00%					
Total Fixed Income	23.81%	25% (15-35%)	23.42%	25.5% (16-36%)	-2.08%	-\$700,554,259	OK		
Large Cap	26.50%	23%							
Mid Cap	4.52%	5%							
Small Cap	4.29%	5%							
US Equity	35.31%	33% (26-38%)	36.76%	34.87% (28-40%)	1.89%	\$635,156,262	OK	50%	65%
Developed Large Cap	14.86%	14%							
Developed Small Cap	3.81%	3%							
Emerging Markets	5.61%	6%							
Non-US Equity	24.28%	23% (16-28%)	23.98%	23.45% (16-28%)	0.53%	\$178,002,777	OK	30%	43%
Private Equity	5.90%	7% (5-9%)	5.90%	5.9% (4-8%)	0.00%	\$0	OK		
Opportunistic Equity	0.61%	0% (0-3%)	0.61%	0% (0-3%)	0.61%	\$205,684,716	OK		
Total Equity	66.10%	63% (53-70%)	67.25%	64.22% (54-71%)	3.02%	\$1,018,843,756	OK		
Commodities	3.60%	4% (1-7%)	2.99%	4.07% (1-7%)	-1.08%	-\$364,405,609	OK		
Real Estate	6.20%	8% (6-10%)	6.04%	6.2% (4-8%)	-0.16%	-\$53,213,598	OK		
Infrastructure	0.00%	0% (0-3%)	0.00%	0% (0-3%)	0.00%	\$0	OK		
Farmland & Timber	0.29%	0% (0-3%)	0.29%	0% (0-3%)	0.29%	\$99,329,710	OK		
Opportunistic I/L	0.00%	0% (0-3%)	0.00%	0% (0-3%)	0.00%	\$0	OK		
Total Inflation Linked	10.09%	12% (8-16%)	9.33%	10.27% (6-14%)	-0.95%	-\$318,289,497	OK		
Total	100.00%	100%	100.00%	100.00%	0.00%	\$0		30%	41%
								Internally Managed Portfolios:	
								\$9,538,957,354	28%
Total GTAA									
Bridgewater	\$3,041,667,731	9.0%						Opportunistic definitions: 1) Tactical in nature: Function of market dislocation AND 2a) Outside SAA benchmark, OR 2b) Within SAA benchmark but absolute return oriented	
Windham	\$589,951,198	1.8%							
Total	\$3,631,618,928	10.8%							
Policy	10% ±5%	OK							

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

Period Ending Apr 30, 2014
FINAL



	Style	Inception	Amount (\$mil.)	Net Returns (%)								Excess Returns (basis points)							
				Month	3 Months	YTD	1 Year	Annualized				Month	3 Months	YTD	1 Year	Annualized			
								3 Years	5 Years	10 Years	ITD					3 Years	5 Years	10 years	ITD
US EQUITY LARGE CAP																			
E2 MODEL	INDEXED	04/01/1997	4,800	0.75	6.23	2.55	20.30	13.80	19.14	7.71	7.50	2	0	-1	-14	-3	0	4	8
	<i>S&P 500 INDEX</i>			0.74	6.23	2.56	20.44	13.83	19.14	7.67	---								
INTECH LARGE CAP	QUANTITATIVE	01/01/2003	506	0.23	3.25	0.34	19.85	12.63	18.39	7.83	9.71	-7	-154	-136	-115	-160	-87	-11	61
	<i>S&P/CITIGROUP 500 GROWTH</i>			0.30	4.79	1.70	21.00	14.24	19.26	7.94	---								
LSV ASSET MANAGEMENT	QUANTITATIVE	01/01/2003	774	0.42	8.06	3.64	27.08	15.75	22.02	9.78	11.67	-79	24	14	723	229	293	244	252
	<i>LSV CUSTOM INDEX</i>			1.21	7.81	3.50	19.85	13.47	19.09	7.34	---								
E7	INDEXED	08/01/2012	780	2.55	9.46	4.93	17.08	---	---	---	19.52	-4	-10	-8	22	---	---	---	12
	<i>MSCI USA High Dividend Yield Index</i>			2.59	9.56	5.01	16.87	---	---	---	---								
E8	INDEXED	08/01/2012	503	1.38	6.67	3.46	11.81	---	---	---	16.66	-2	-3	-4	54	---	---	---	70
	<i>MSCI USA Minimum Volatility Index</i>			1.39	6.70	3.50	11.27	---	---	---	---								
TOTAL US EQUITY LARGE CAP			\$ 7,363																
US EQUITY MID CAP																			
WELLINGTON MANAGEMENT COMPANY LLP	FUNDAMENTAL	07/01/2002	408	-0.82	2.83	2.68	24.73	12.53	19.39	11.96	11.61	74	-79	125	612	76	-168	162	112
	<i>S&P 400 MIDCAP INDEX</i>			-1.56	3.63	1.43	18.61	11.77	21.06	10.34	---								
E3 MODEL	INDEXED	12/01/2000	500	-2.84	1.82	-0.74	16.24	10.68	21.59	10.95	8.56	-1	-3	1	16	26	48	55	58
	<i>S&P/CITIGROUP 400 GROWTH</i>			-2.83	1.86	-0.75	16.09	10.43	21.10	10.39	---								
CRM MID CAP VALUE	FUNDAMENTAL	01/01/2004	98	-0.46	4.23	0.80	21.97	10.24	17.25	9.83	10.02	-21	-125	-294	72	-296	-381	-40	-3
E4 MODEL	INDEXED	07/01/2002	517	-0.32	5.37	3.63	21.14	13.08	21.03	10.49	10.75	-7	-11	-10	-10	-12	-3	26	21
	<i>S&P/CITIGROUP 400 VALUE</i>			-0.25	5.48	3.73	21.24	13.19	21.06	10.23	---								
TOTAL US EQUITY MID CAP			\$ 1,523																
US EQUITY SMALL CAP																			
DIMENSIONAL FUND ADVISORS EQFD	QUANTITATIVE	09/01/1998	405	-1.61	5.11	0.17	26.95	13.71	23.87	10.50	12.62	63	152	32	187	-114	285	51	125
	<i>DFA BLENDED BENCHMARK</i>			-2.24	3.59	-0.16	25.07	14.85	21.02	9.99	---								
TIMESQUARE CAPITAL MANAGEMENT	FUNDAMENTAL	04/01/2005	459	-2.94	-0.29	-4.27	20.98	14.56	23.00	---	12.55	59	36	-174	-78	326	150	---	279
	<i>RUSSELL 2500 GROWTH</i>			-3.53	-0.65	-2.52	21.77	11.30	21.51	---	---								
CHAMPLAIN INVESTMENT PARTNERS LLC	FUNDAMENTAL	01/01/2008	97	-2.75	-0.78	-4.56	16.66	10.27	18.87	---	9.58	4	-303	-287	-792	-362	-266	---	0
E6	INDEXED	02/01/2007	482	-2.80	2.12	-1.82	24.38	13.73	21.35	---	8.35	-1	-13	-13	-20	-16	-17	---	37
	<i>S&P 600 SMALL CAP</i>			-2.79	2.25	-1.69	24.58	13.89	21.53	---	---								
TOTAL US EQUITY SMALL CAP			\$ 1,444																
TOTAL US EQUITY			\$ 10,330																
INTERNATIONAL DEVELOPED LARGE CAP																			
BRANDES INVESTMENT PARTNERS INT EQ	FUNDAMENTAL	10/01/1998	539	1.67	7.67	4.31	19.19	6.94	12.57	7.25	9.87	22	126	220	560	85	-235	-117	303
	<i>BRANDES CUSTOM INDEX</i>			1.45	6.40	2.12	13.59	6.09	14.92	8.42	---								
ABERDEEN ASSET MANAGEMENT	FUNDAMENTAL	03/01/2011	512	2.72	11.68	5.88	8.45	5.66	---	---	7.39	127	528	376	-514	-43	---	---	39
BGI EAFE INDEX	INDEXED	07/01/2009	2,378	1.52	6.57	2.27	13.60	5.96	---	---	11.92	8	16	15	1	-13	---	---	-12
WALTER SCOTT & PARTNERS	FUNDAMENTAL	04/01/2011	234	1.19	4.95	-1.23	2.06	3.96	---	---	5.73	-26	-145	-335	-1,153	-213	---	---	-224
	<i>MSCI EAFE NET</i>			1.45	6.40	2.12	13.59	6.09	---	---	---								

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

Period Ending Apr 30, 2014
FINAL



				Net Returns (%)								Excess Returns (basis points)							
	Style	Inception	Amount (\$mil.)	Month	3 Months	YTD	1 Year	Annualized				Month	3 Months	YTD	1 Year	Annualized			
								3 Years	5 Years	10 Years	ITD					3 Years	5 Years	10 years	ITD
HANSBERGER GLOBAL INVESTORS LC	FUNDAMENTAL	08/01/2005	341	1.13	4.54	-1.30	11.79	2.59	12.57	---	5.95	-31	-186	-342	-180	-350	-235	---	-148
HANSBERGER CUSTOM INDEX				1.45	6.40	2.12	13.59	6.09	14.91	---	---								
TOTAL INTERNATIONAL DEVELOPED LARGE CAP			\$ 4,004																
INTERNATIONAL DEVELOPED SMALL CAP																			
AQR CAPITAL		06/01/2013	175	-1.56	2.54	1.25	---	---	---	---	20.78	-75	-158	-127	---	---	---	---	-19
BLACKROCK EAFE SMALL CAP	INDEXED	06/01/2010	463	-0.77	4.16	2.49	18.00	7.24	---	---	15.42	4	4	-3	-24	-33	---	---	-26
DIMENSIONAL FUND ADVISORS INTL SC	QUANTITATIVE	09/01/2005	225	-0.15	6.56	5.67	23.45	7.19	16.01	---	7.15	66	243	315	521	-38	-242	---	32
FRANKLIN TEMPLETON INVESTMENTS	FUNDAMENTAL	04/01/2011	420	-0.26	5.62	0.78	22.21	11.32	---	---	13.03	55	150	-174	397	375	---	---	385
MSCI EAFE SMALL CAP NET				-0.81	4.12	2.52	18.24	7.57	---	---	---								
TOTAL INTERNATIONAL DEVELOPED SMALL CAP			\$ 1,283																
INTERNATIONAL EMERGING MARKETS																			
BLACKROCK EMERGING MARKETS	INDEXED	10/01/2010	658	0.33	6.76	-0.29	-2.06	-3.98	---	---	-0.02	0	-8	-19	-48	-54	---	---	-50
EATON VANCE EMERGING MARKET EQUITY	QUANTITATIVE	12/01/2010	492	0.74	7.31	1.65	2.03	-1.56	---	---	1.75	41	47	175	362	189	---	---	130
LSV EMERGING MARKET EQUITY	QUANTITATIVE	12/01/2010	293	1.12	8.26	0.64	-2.14	-2.88	---	---	1.56	78	142	74	-56	56	---	---	111
WILLIAM BLAIR & COMPANY	FUNDAMENTAL	11/01/2010	443	0.23	8.51	1.03	0.12	0.72	---	---	2.02	-11	167	113	171	417	---	---	234
MSCI EMF NET				0.33	6.84	-0.10	-1.59	-3.44	---	---	---								
TOTAL INTERNATIONAL EMERGING MARKETS			\$ 1,886																
TOTAL INTERNATIONAL EQUITY			\$ 7,173																
RISK FACTOR PORTFOLIO																			
RISK FACTOR PORTFOLIO	OVERLAY	06/01/2013	488	0.24	4.92	1.78	---	---	---	---	16.69								
TOTAL RISK FACTOR PORTFOLIO			\$ 488																
TOTAL EQUITY W/ RISK FACTOR OVERLAY			\$ 17,992																
CORE FIXED INCOME																			
BGI US DEBT FD	CORE	10/01/2004	454	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
F2 MODEL	INDEXED	10/01/2000	1,957	0.81	1.11	2.56	0.24	3.90	5.17	5.05	5.69	-4	-10	-15	50	30	29	23	15
PACIFIC INV MGMT CO (PIMCO)	CORE	02/01/2010	153	0.81	1.35	2.59	-1.81	3.37	---	---	4.40	-3	14	-11	-154	-23	---	---	29
Barclays Aggregate				0.84	1.21	2.70	-0.26	3.60	---	---	---								
BGI GOVT/CRDTBD INDEX	INDEXED	11/01/2008	24	0.51	0.64	1.57	-0.11	3.03	4.28	---	5.14	0	4	5	13	11	9	---	9
Barclays Gov/Credit Int				0.51	0.60	1.52	-0.24	2.92	4.19	---	---								
TOTAL CORE FIXED INCOME			\$ 2,587																
HIGH YIELD FIXED INCOME																			
COLUMBIA MANAGEMENT INV. ADVISORS, LLC	FUNDAMENTAL	10/01/2009	737	0.66	3.00	3.55	5.25	8.44	---	---	10.92	3	9	-8	-105	-23	---	---	-71
JP MORGAN HIGH YIELD		07/01/2013	326	0.40	2.69	3.14	---	---	---	---	9.36	-23	-22	-49	---	---	---	---	-43

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

Period Ending Apr 30, 2014
FINAL



	Style	Inception	Amount (\$mil.)	Net Returns (%)								Excess Returns (basis points)							
				Month	3 Months	YTD	1 Year	Annualized			ITD	Month	3 Months	YTD	1 Year	Annualized			ITD
								3 Years	5 Years	10 Years						3 Years	5 Years	10 years	
SHENKMAN CAPITAL MANAGEMENT	FUNDAMENTAL	10/01/2009	173	0.59	3.04	3.48	5.64	6.87	---	---	9.57	-4	13	-16	-66	-180	---	---	-205
<i>Barclays Corp High Yield</i>				0.63	2.91	3.63	6.30	8.67	---	---	---								
TOTAL HIGH YIELD FIXED INCOME			\$ 1,236																
EMERGING MARKETS DEBT																			
ASHMORE EMERGING MKT DBT BLEND	FUNDAMENTAL	01/01/2013	548	0.73	5.02	2.22	-6.50	---	---	---	-2.92	-19	-97	-123	-147	---	---	---	-75
<i>EMERGING MARKETS BLENDED INDEX</i>				0.92	6.00	3.45	-5.03	---	---	---	---								
PIMCO EMERGING MARKET DEBT LC	FUNDAMENTAL	01/01/2013	341	1.23	8.42	3.62	-10.47	---	---	---	-5.68	34	62	82	-105	---	---	---	-80
<i>JPM GBI-EM Global Diversified Index</i>				0.89	7.80	2.81	-9.42	---	---	---	---								
TOTAL EMERGING MARKETS DEBT			\$ 888																
TOTAL PUBLIC FIXED INCOME			\$ 4,711																
GTAA																			
BRIDGEWATER ASSOCIATES GBL TAA	FUNDAMENTAL	01/01/2004	3,089	1.26	5.97	3.52	14.28	10.69	17.57	9.59	9.25	24	99	71	219	170	366	272	257
<i>GTAA CUSTOM BENCHMARK</i>				1.01	4.99	2.81	12.09	9.00	13.92	6.87	---								
WINDHAM	QUANTITATIVE	10/01/2011	590	0.60	6.01	2.29	7.62	---	---	---	12.42	-58	72	-125	-363	---	---	---	-382
<i>WINDHAM CUSTOM INDEX</i>				1.18	5.29	3.54	11.25	---	---	---	---								
TOTAL GTAA			\$ 3,679																
GLOBAL INFLATION LINKED																			
GRESHAM	FUNDAMENTAL	09/01/2010	862	1.93	7.92	7.14	4.23	-5.88	---	---	3.91	-51	-135	-245	107	179	---	---	240
<i>DJ-UBS Commodity Index TR</i>				2.44	9.27	9.60	3.17	-7.68	---	---	---								
TOTAL GLOBAL INFLATION LINKED			\$ 862																
TOTAL PUBLIC MARKET			\$ 27,699																



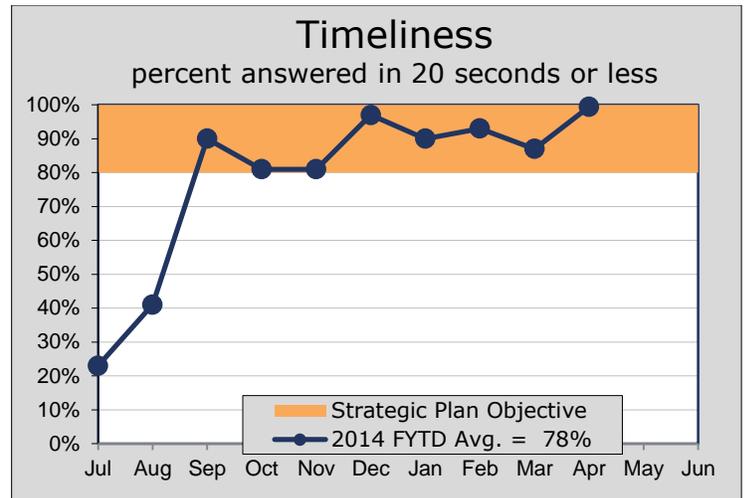
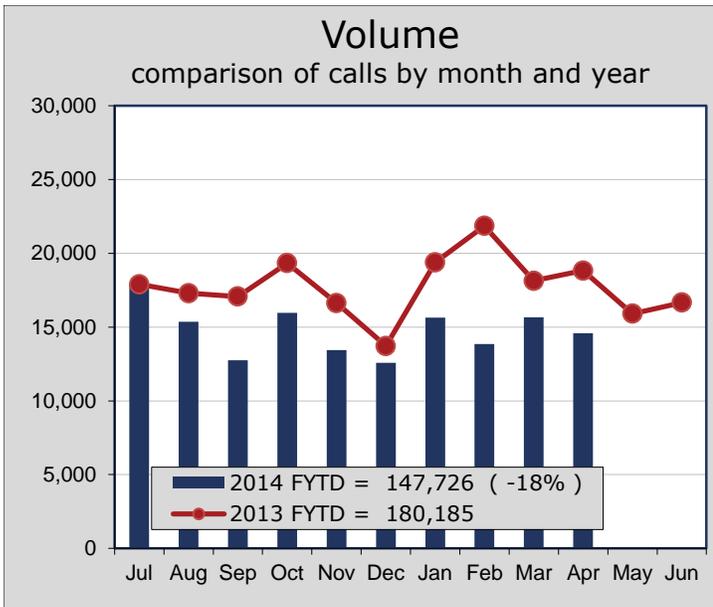
			Net Returns (%)								Excess Returns (basis points)							
	Inception	Amount (\$mil.)	Annualized								Annualized							
			Month	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	ITD	Month	3 Months	YTD	1 Year	3 Years	5 Years	10 years	ITD
BLACKROCK - US DEBT FUND B	01/01/2011	31.2	0.85	1.23	2.76	-0.35	3.61	---	---	3.78	0	2	6	-9	1	---	---	1
<i>Barclays Aggregate</i>			0.84	1.21	2.70	-0.26	3.60	4.88	4.83	---								
BLACKROCK - US HIGH YIELD FUND B	01/01/2011	18.0	0.70	3.04	3.67	5.71	8.22	---	---	9.17	7	13	3	-59	-45	---	---	-36
<i>Barclays Corp High Yield</i>			0.63	2.91	3.63	6.30	8.67	15.72	8.83	---								
BLACKROCK-LTD-EM BD INDX FD B	01/01/2013	9.9	0.87	7.71	2.70	-10.09	---	---	---	-5.74	-2	-9	-10	-68	---	---	---	-86
<i>JPM GBI-EM Global Diversified Index</i>			0.89	7.80	2.81	-9.42	-0.12	8.21	9.79	---								
BLACKROCK - RUSSELL 1000 FUND B	01/01/2011	97.6	0.47	5.90	2.51	20.76	13.80	---	---	15.46	0	-1	-2	-5	1	---	---	2
<i>RUSSELL 1000</i>			0.47	5.91	2.53	20.81	13.80	19.52	8.05	---								
BLACKROCK - RUSSELL 2000 FUND B	01/01/2011	18.5	-3.87	0.00	-2.77	20.66	10.88	---	---	13.22	1	4	3	16	14	---	---	17
<i>RUSSELL 2000</i>			-3.88	-0.04	-2.80	20.50	10.74	19.84	8.67	---								
BLACKROCK - EAFE INDEX FUND B	01/01/2011	38.6	1.46	6.45	2.14	13.38	5.74	---	---	8.10	1	4	3	-21	-35	---	---	-36
<i>MSCI EAFE NET</i>			1.45	6.40	2.12	13.59	6.09	14.05	---	---								
BLACKROCK EAFE SMALL CAP FUND B	01/01/2011	9.3	-0.80	4.14	2.48	17.98	7.24	---	---	9.13	1	2	-4	-26	-33	---	---	-31
<i>MSCI EAFE SMALL CAP NET</i>			-0.81	4.12	2.52	18.24	7.57	18.43	---	---								
BLACKROCK MSCI EMERGING MARKETS FUND B	01/01/2011	15.4	0.33	6.75	-0.31	-2.14	-3.99	---	---	-2.13	0	-9	-21	-55	-55	---	---	-53
<i>MSCI EMF NET</i>			0.33	6.84	-0.10	-1.59	-3.44	---	---	---								
BGI-LTD- R ESTATE FD	01/01/2005	21.7	3.70	9.94	14.29	1.08	9.15	22.53	---	6.84	17	18	43	-58	-113	-93	---	-47
<i>WILSHIRE RESI</i>			3.53	9.76	13.86	1.66	10.28	23.46	10.43	---								
BLACKROCK DJ UBS COMM FUND B	01/01/2011	9.1	2.42	9.28	9.49	2.85	-8.07	---	---	-5.09	-1	1	-10	-32	-39	---	---	-34
<i>DJ-UBS Commodity Index TR</i>			2.44	9.27	9.60	3.17	-7.68	4.59	0.85	---								
LONG TERM DISABILITY - CASH	07/01/1995	2.6	0.00	0.00	0.00	0.00	0.03	0.12	1.75	2.82	0	-1	-2	-6	-5	1	9	-5
<i>91 DAY TREASURY BILL</i>			0.00	0.01	0.02	0.06	0.08	0.11	1.66	---								
TOTAL LTD		\$ 271.9																

Long Term Disability (LTD)

Wednesday, April 30, 2014

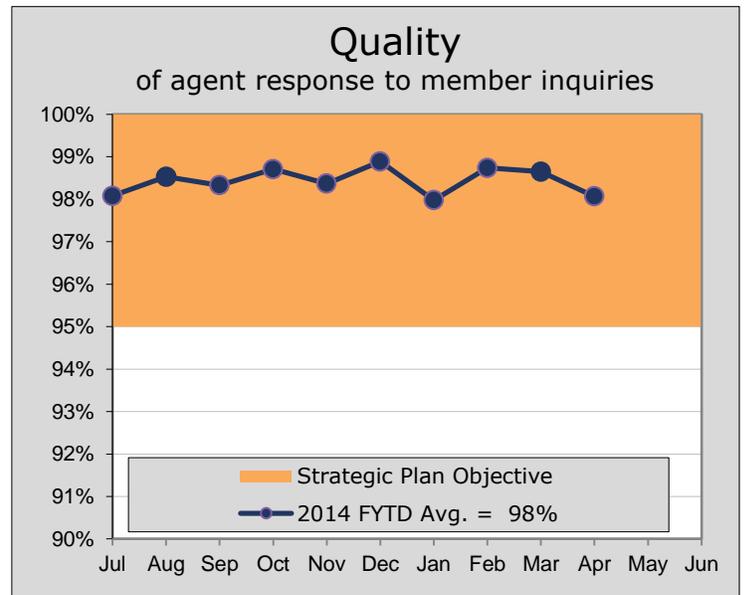
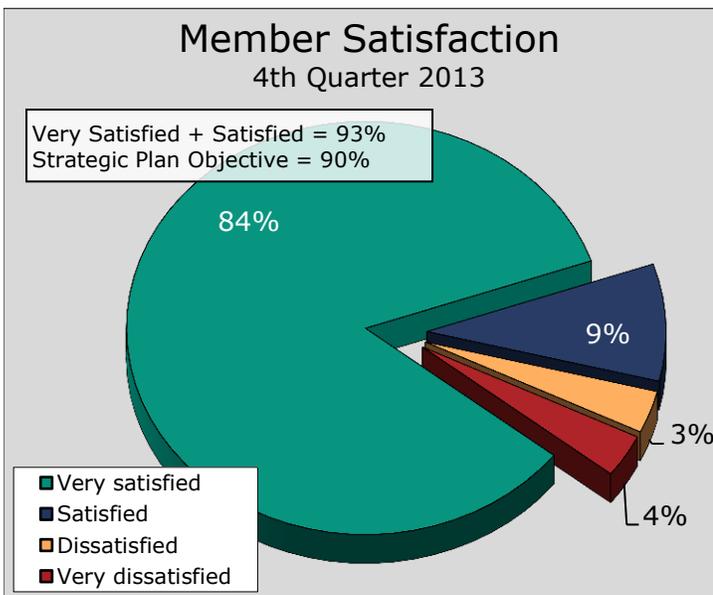
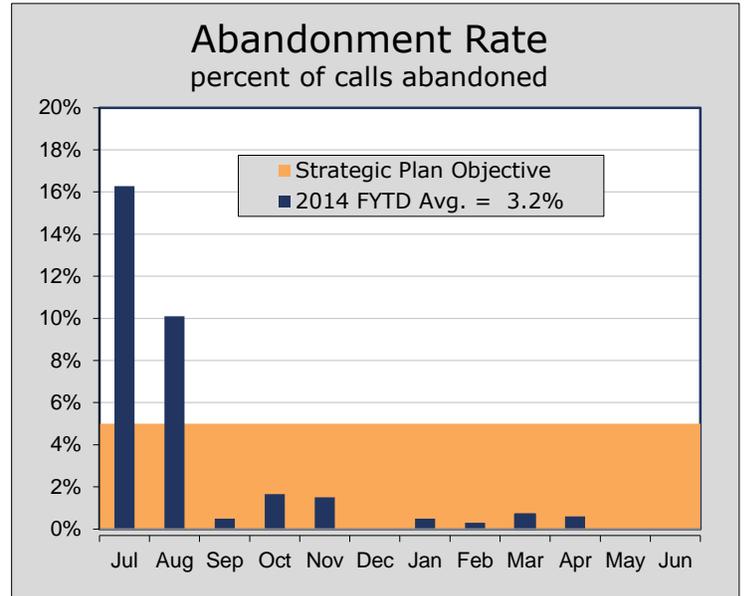
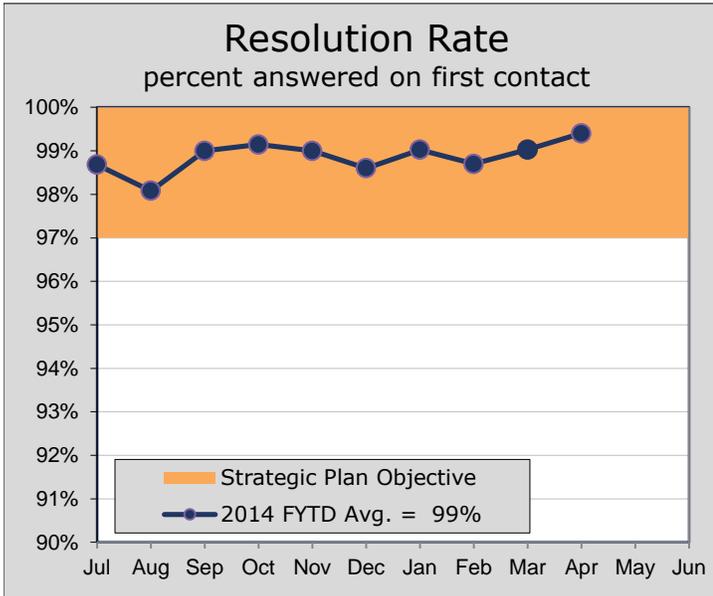
Account Manager	Account Manager Style	Fixed Income	Equity	Inflation Linked	Total	Pct of Fund	Target (Range)
StateStreet B&T: Boston	Cash	\$2,561,352			\$2,561,352	0.94%	
BlackRock: San Francisco	Fixed Core (Passive)	\$31,083,485			\$31,083,485	11.46%	13%
BlackRock: San Francisco	Fixed High Yield (Passive)	\$18,007,045			\$18,007,045	6.64%	8%
BlackRock: San Francisco	Emerging Market Debt (Passive)	\$9,889,658			\$9,889,658	3.65%	4%
						21.75%	25% (15-35%)
BlackRock: San Francisco	Russell 1000 (Passive)		\$97,247,985		\$97,247,985	35.87%	34%
BlackRock: San Francisco	Russell 2000 (Passive)		\$18,371,869		\$18,371,869	6.78%	6%
						42.64%	40% (33-45%)
BlackRock: San Francisco	EAFE (Passive)		\$38,459,585		\$38,459,585	14.18%	14%
BlackRock: San Francisco	EAFE SC (Passive)		\$9,300,564		\$9,300,564	3.43%	3%
BlackRock: San Francisco	Emerging Markets (Passive)		\$15,502,682		\$15,502,682	5.72%	6%
						23.33%	23% (16-28%)
BlackRock: San Francisco	Dow Jones UBS Commodities (Passive)			\$9,157,646	\$9,157,646	3.38%	4% (1-7%)
BlackRock: San Francisco	US Real Estate (Passive)			\$21,563,331	\$21,563,331	7.95%	8% (6-10%)
						11.33%	12% (8-16%)
	TOTAL Amounts	\$61,541,540	\$178,882,684	\$30,720,977	\$271,145,200		
	TOTAL Percent	22.70%	65.97%	11.33%			
	Actual Portfolio	22.70%	65.97%	11.33%			
	Policy	25% (15-35%)	63% (53-70%)	12% (8-16%)			

Member Advisory Center: Phone

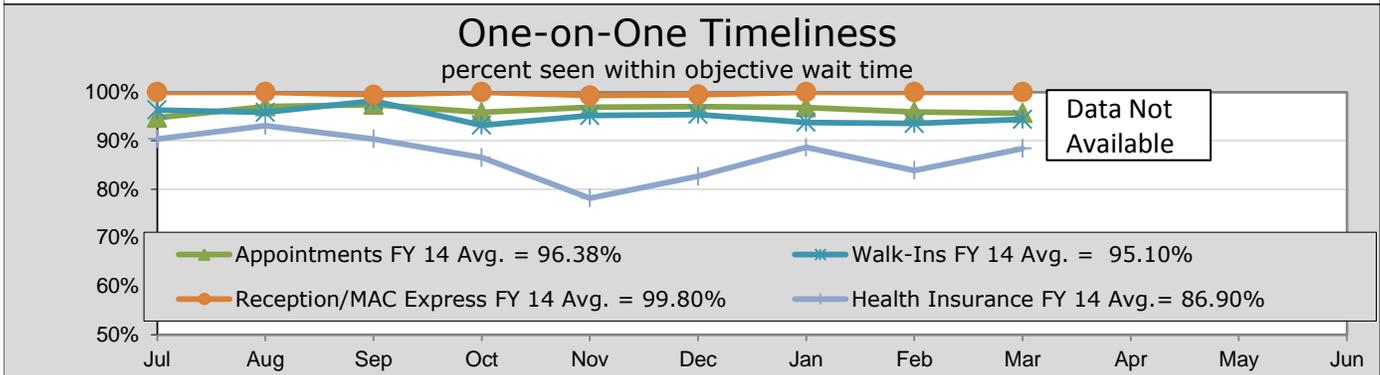
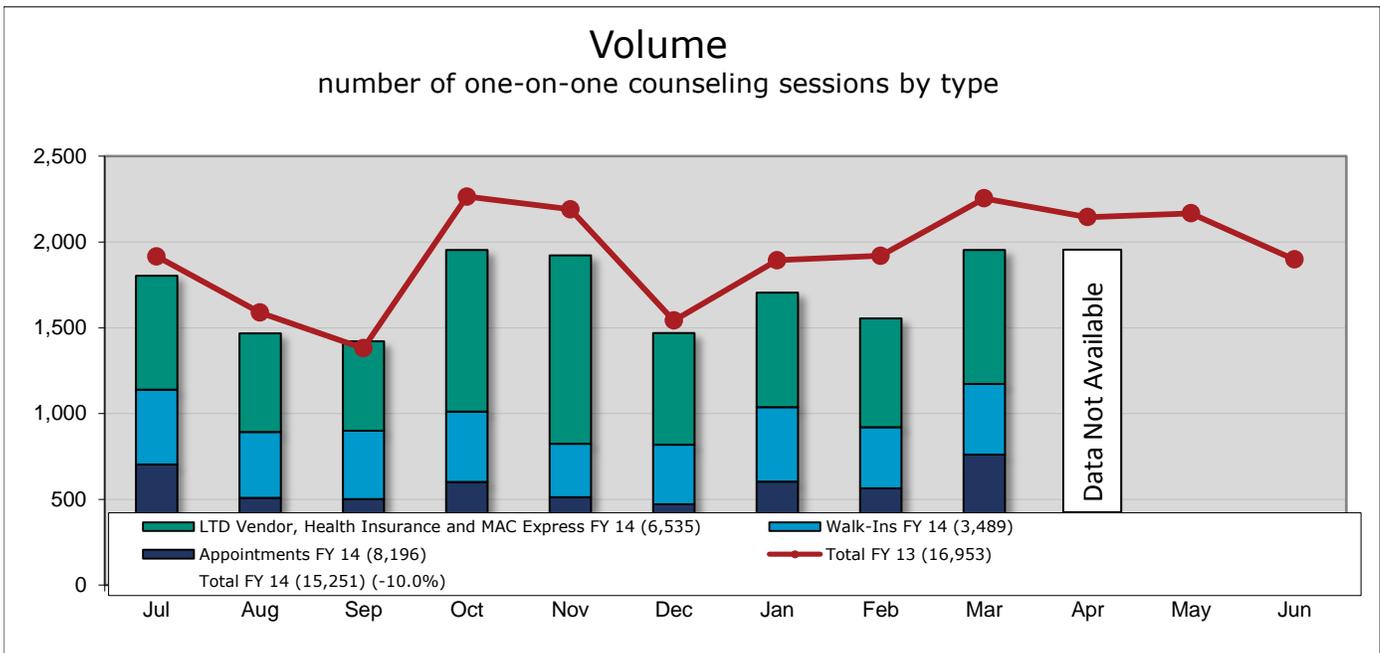


Timeliness (average wait time in seconds)

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Avg. Wait Time (seconds)	261	152	10	24	23	58	55	7	14	12		

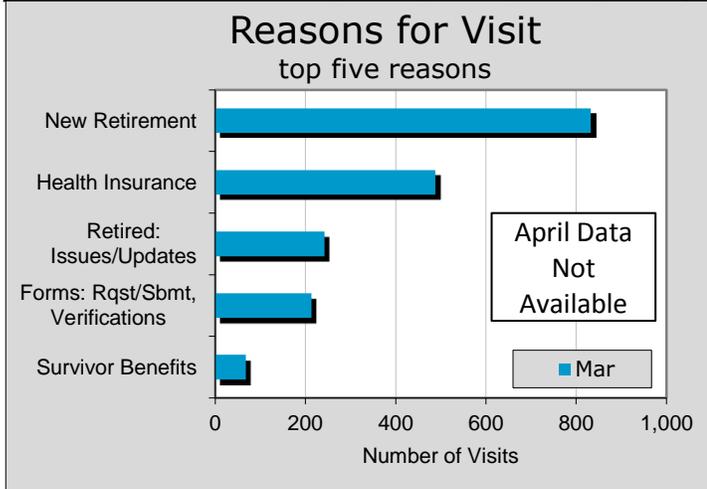


Member Advisory Center: One-on-One



Timeliness (average wait time in minutes)

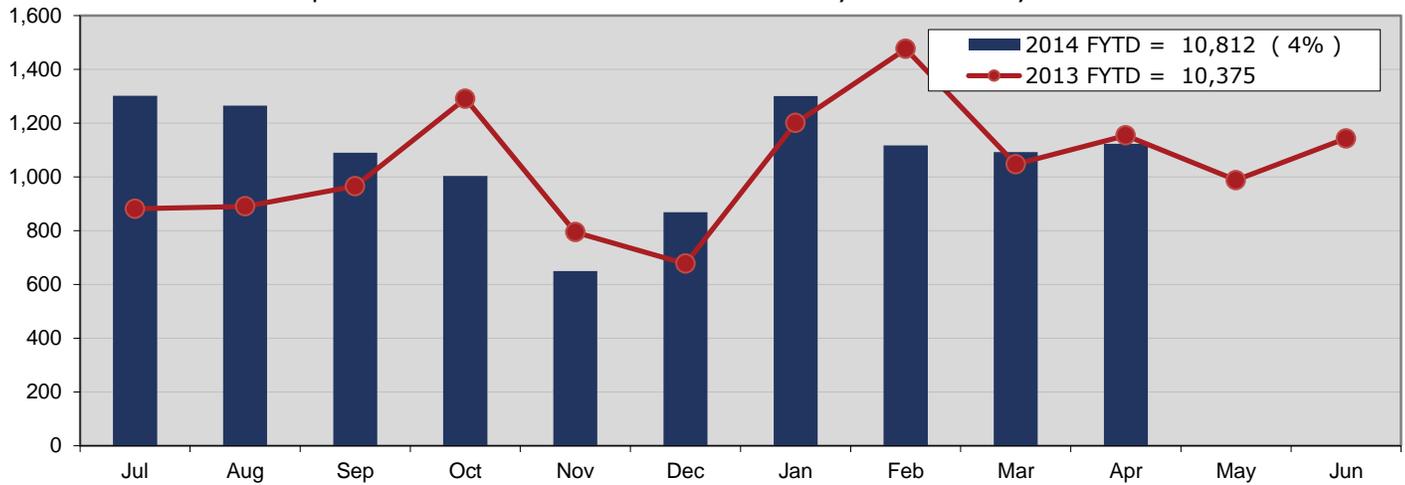
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Appointments	2	1	1	1	1	1	1	1	1	N/A		
Walk-Ins	7	8	6	8	7	8	9	10	8	N/A		
Reception/Express	0	0	0	1	1	1	0	0	0	N/A		
Health Insurance	6	5	5	7	9	7	6	7	7	N/A		
LTD Vendor	n/a	n/a	n/a	4	4	n/a	n/a	n/a	n/a	N/A		



Member Advisory Center: E-Mail

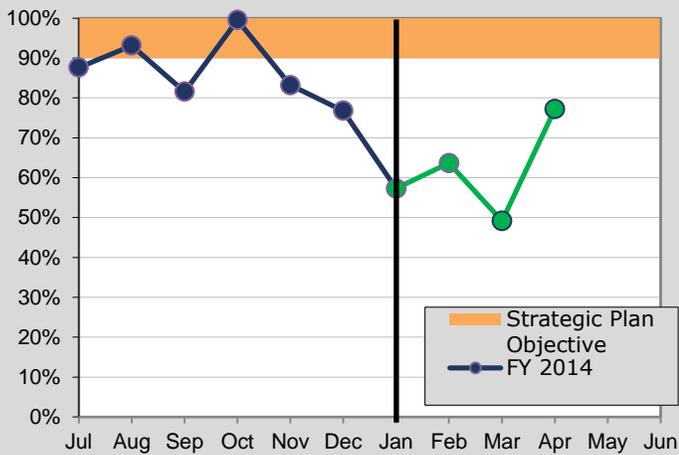
Volume

comparison of 'ask MAC' e-mails received by month and year



Timeliness

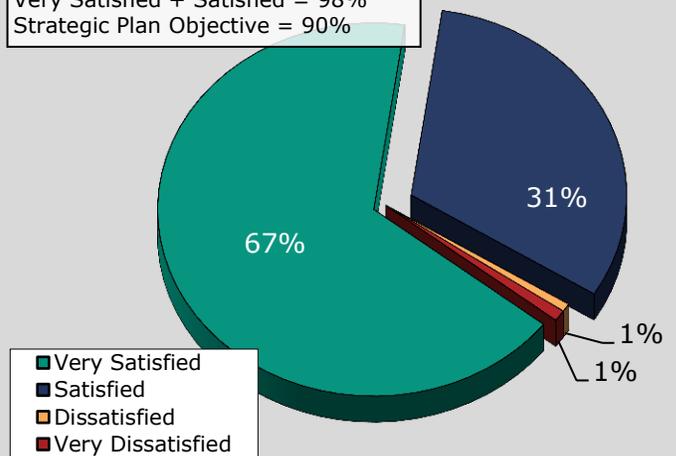
percent responded to in 1 day or less



Member Satisfaction

4th Quarter 2013

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



Timeliness (average response in business days)

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

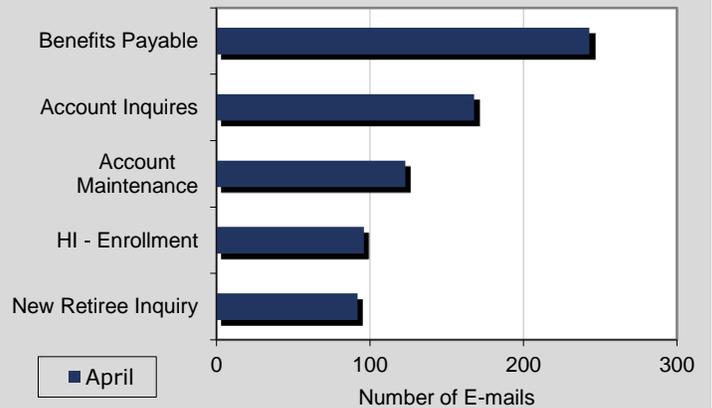
Timeliness (average response in hours)

						24.0	21.8	25.4	16.5		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

* Timeliness measure has been changed from measuring the number of business days to respond to the number of hours to respond. This change was effective starting in January 2014 and noted by the vertical line in the chart above.

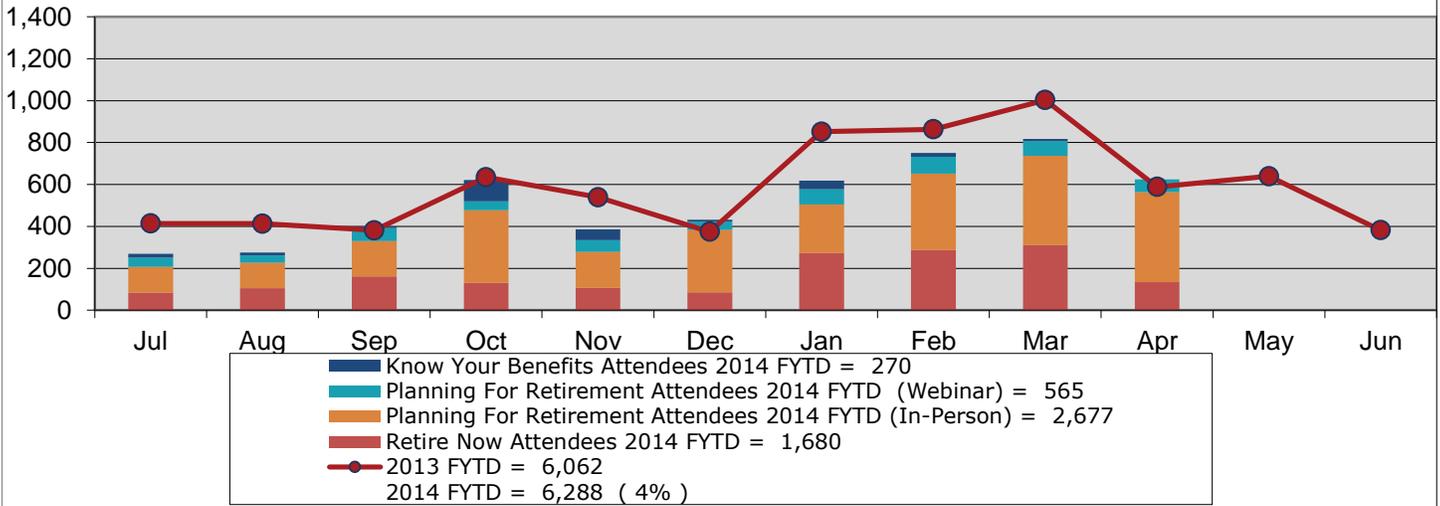
Reason for Contact

top five reasons



Outreach Education and Benefit Estimates

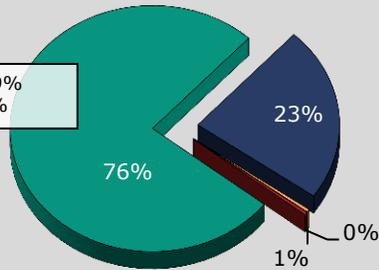
Total Meeting Attendees by type of meeting



Member Satisfaction

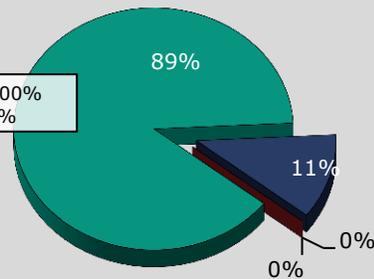
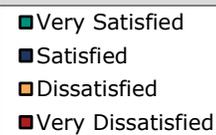
Planning for Retirement Meetings 4th Quarter 2013

Very Satisfied + Satisfied = 99%
Strategic Plan Objective = 90%



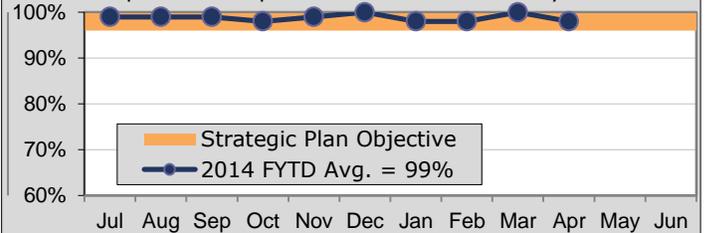
Retire Now Meetings 4th Quarter 2013

Very Satisfied + Satisfied = 100%
Strategic Plan Objective = 90%



Benefit Estimate Timeliness

percent completed within 3 business days

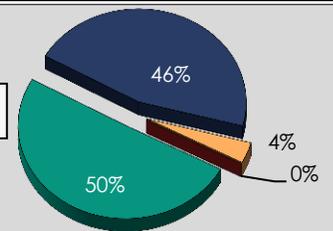
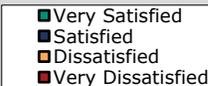


Benefit Estimate Timeliness (average TAT in days)

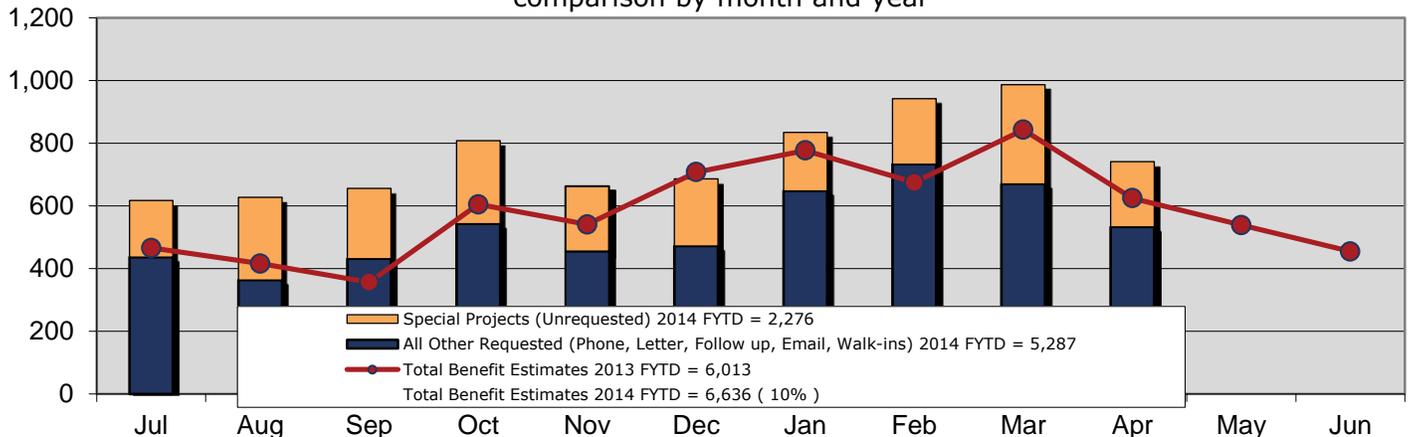
1	1	1	1	1	1	1	1	1	1	1	
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Benefit Estimates 4th Quarter 2013

Very Satisfied + Satisfied = 96%
Strategic Plan Objective = 90%

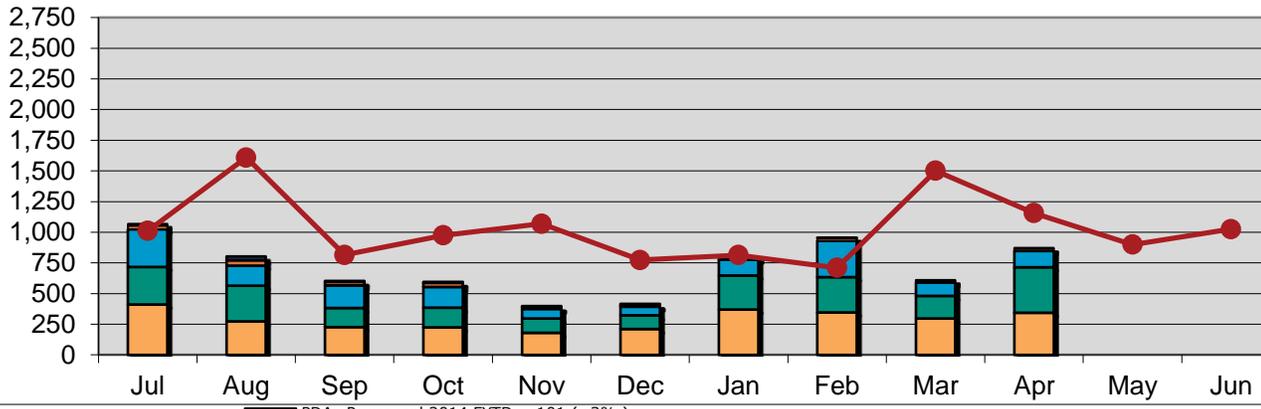


Benefit Estimate Volume comparison by month and year



Service Purchase

Total Volume
comparison by month and year



PDA's Processed 2014 FYTD = 101 (-3%)
 PDA Contracts Issued 2014 FYTD = 241 (-29%)
 Lump Sum Purchases Processed 2014 FYTD = 1,639 (-41%)
 Completed Cost Invoices 2013 FYTD = Completed Cost Invoices 2014 FYTD = 2,259 (-23%)
 Requested Cost Invoices 2013 FYTD = Requested Cost Invoices 2014 FYTD = 2,887 (-32%)
 Combination of All Above 2013 FYTD = 10,434
 Combination of All Above 2014 FYTD = 7,127 (-32%)

Requests Pending
as of April 30, 2014

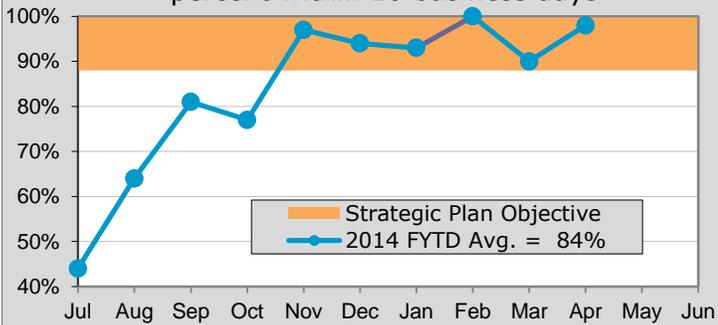
Cost Invoices Pending

469

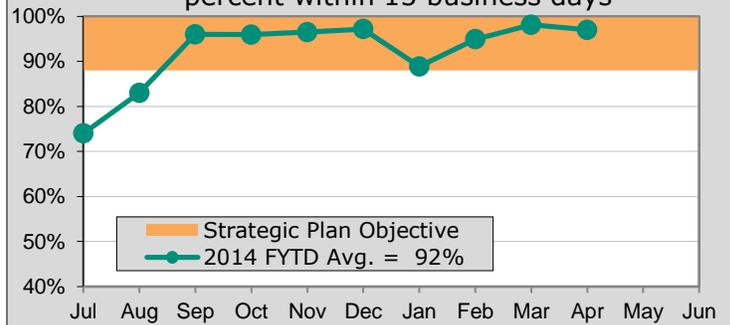
Payments Pending

7

Lump Sum Timeliness
percent within 10 business days



Cost Invoices Timeliness
percent within 15 business days



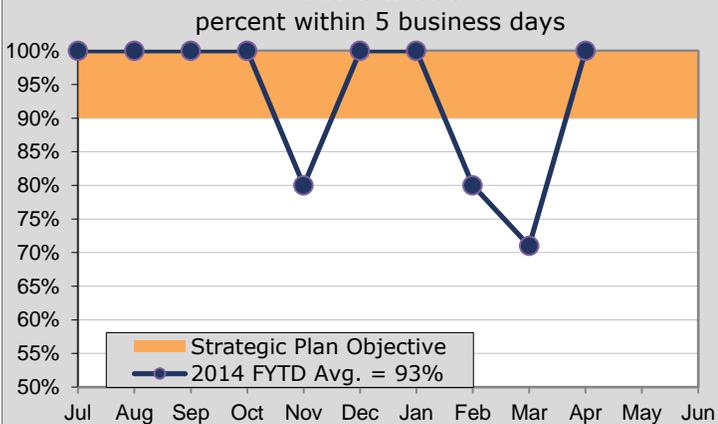
Timeliness (average turnaround time in business days)

8	5	4	2	2	3	2	1	2	1		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

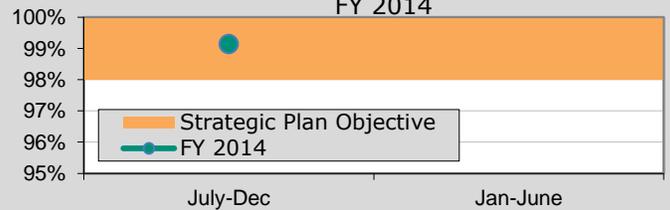
Timeliness (average turnaround time in business days)

10	9	4	4	3	4	6	3	3	4		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Payroll Deduction Agreement Timeliness
percent within 5 business days



Cost Invoice Quality Rating
FY 2014



Timeliness (average turnaround time in business days)

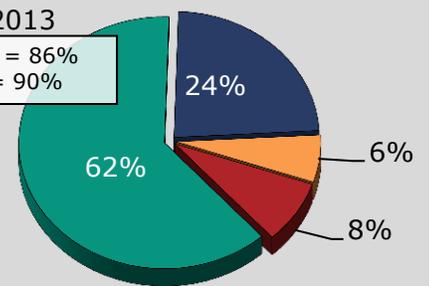
1	1	2	1	1	1	1	2	3	1		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Member Satisfaction

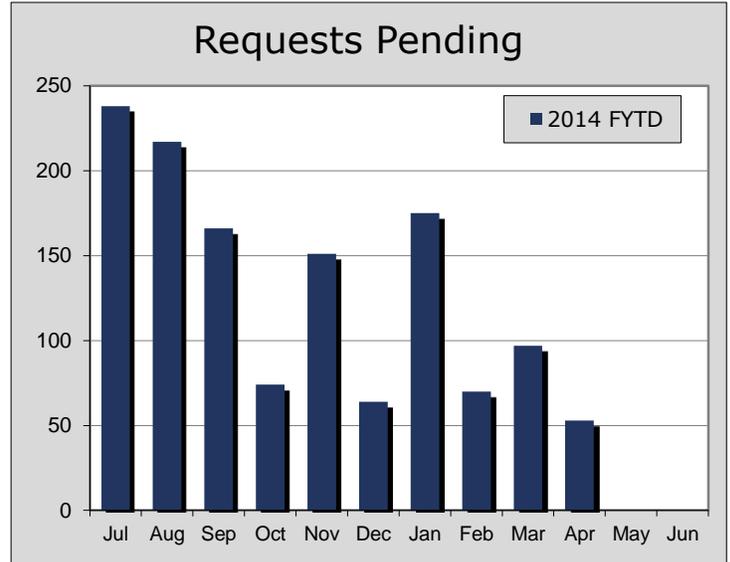
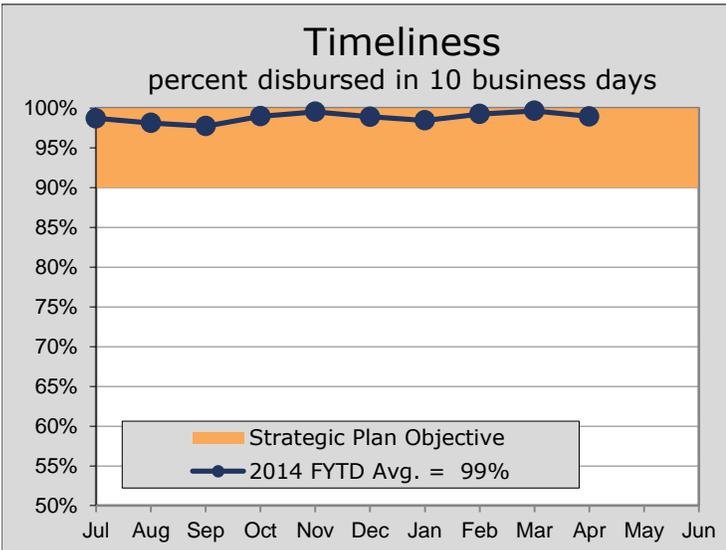
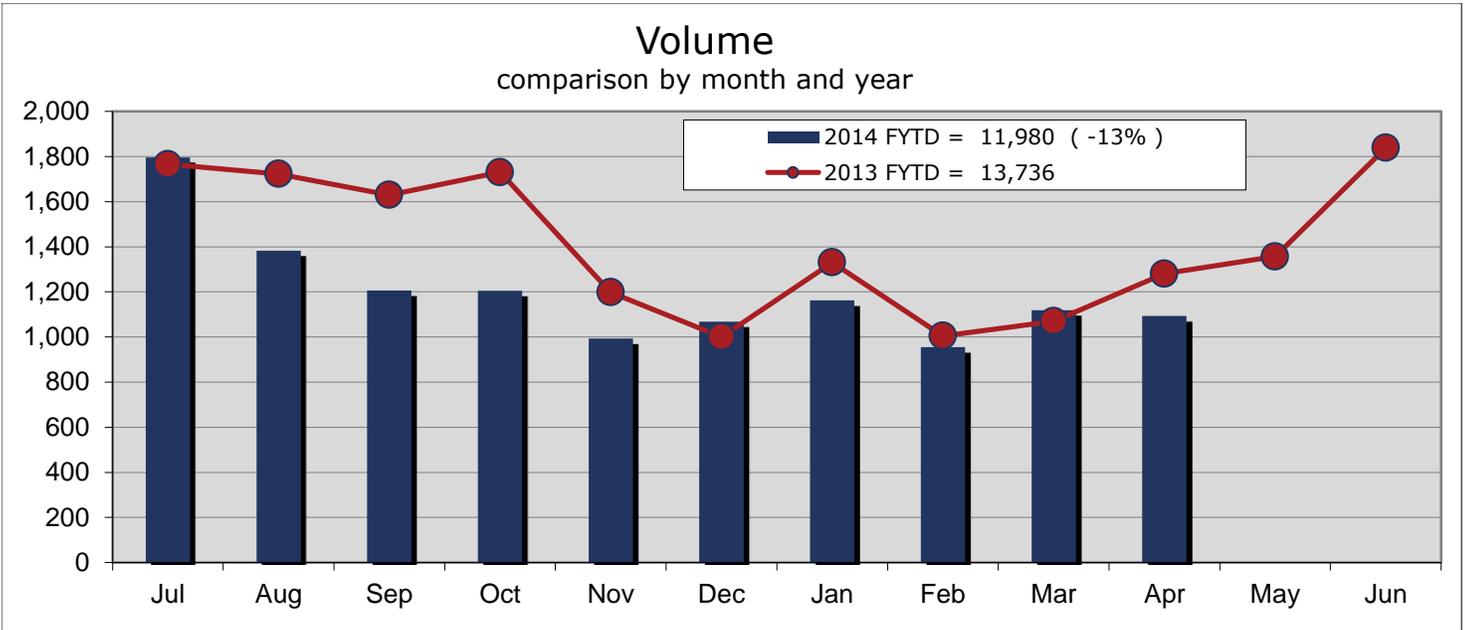
4th Quarter 2013

Very Satisfied + Satisfied = 86%
Strategic Plan Objective = 90%

Very Satisfied
 Satisfied
 Dissatisfied
 Very Dissatisfied

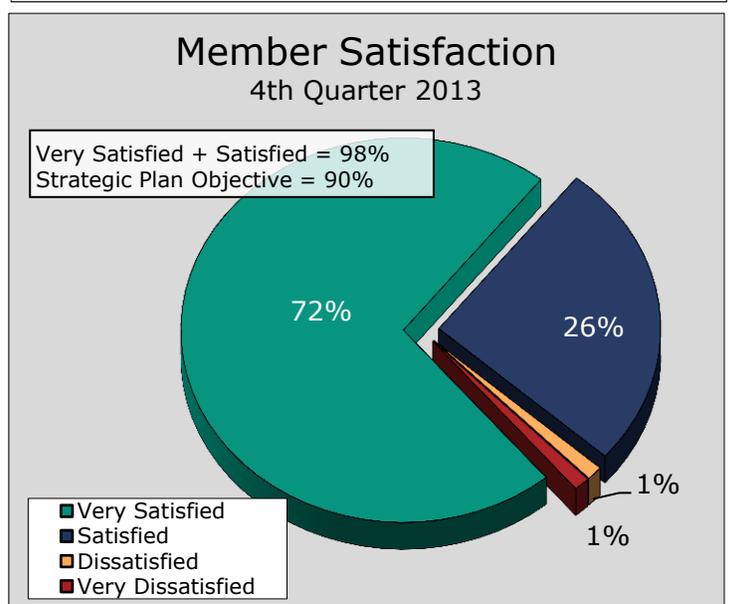
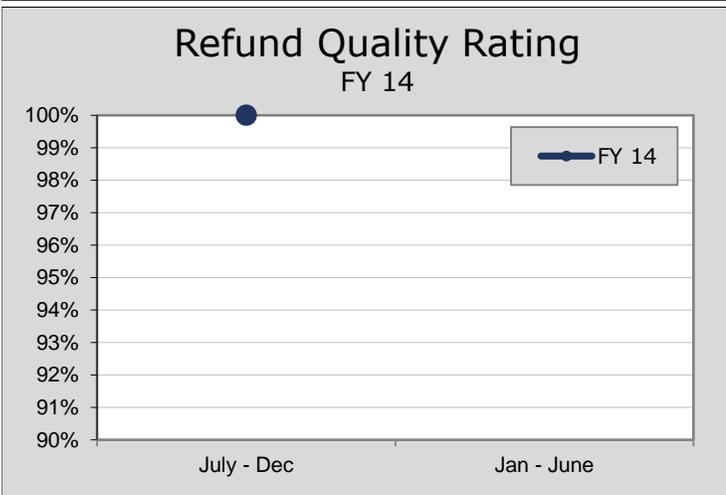


Refunds



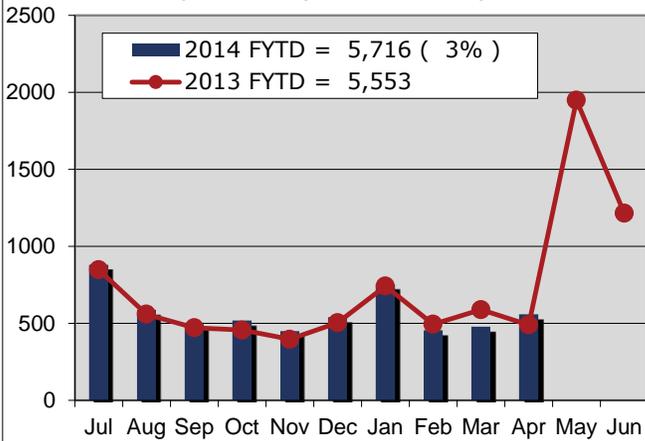
Timeliness (average turnaround time in business days)

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

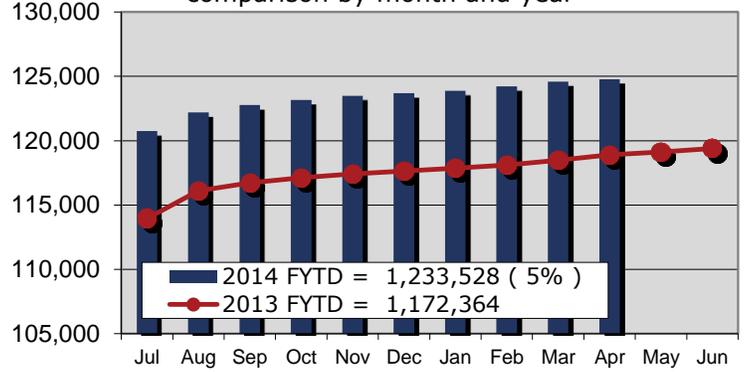


New Retiree and Pension Payroll

First Payment Volume comparison by month and year



Pension Volume comparison by month and year



Pension Payment (percent disbursed by 1st of the months)

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

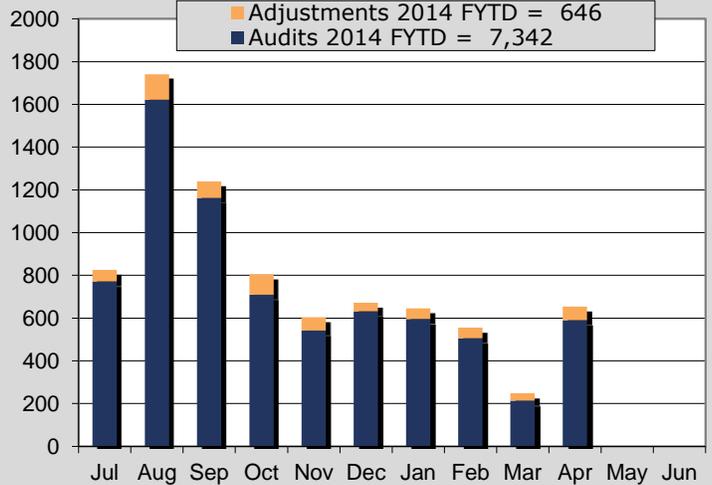
First Payment Timeliness percent disbursed in 10 business days



First Payment Timeliness (average turnaround time in days)

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

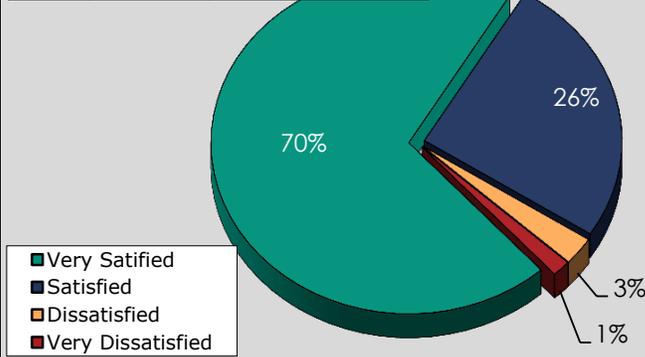
Audits & Adjustments comparison by month and year



Member Satisfaction

New Retiree
4th Quarter 2013

Very Satisfied + Satisfied = 96%
Strategic Plan Objective = 90%



Adjustments Timeliness

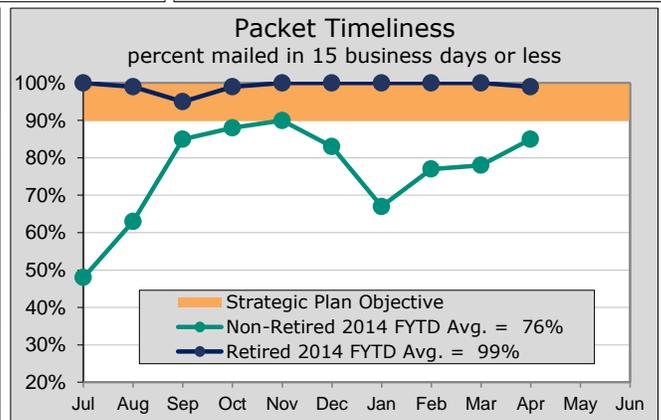
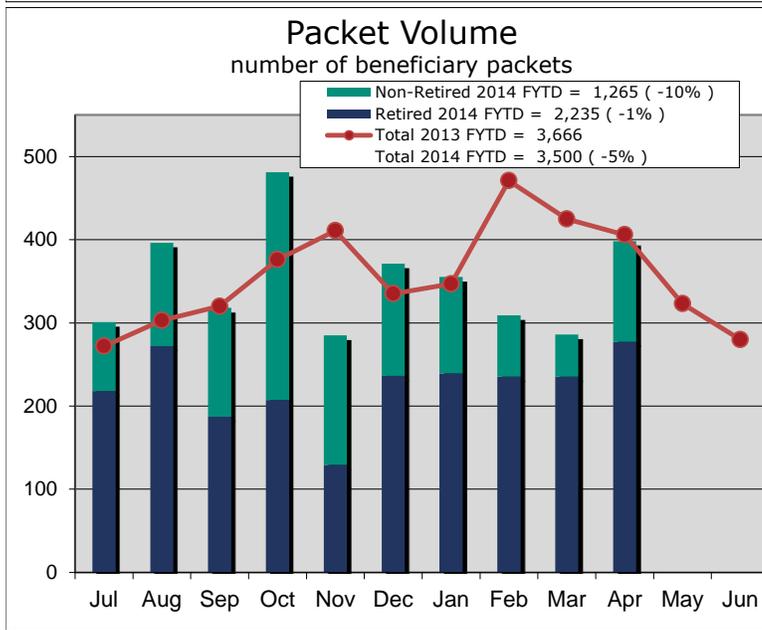
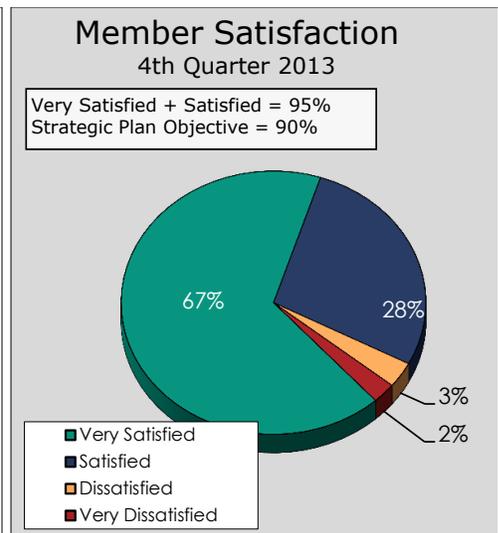
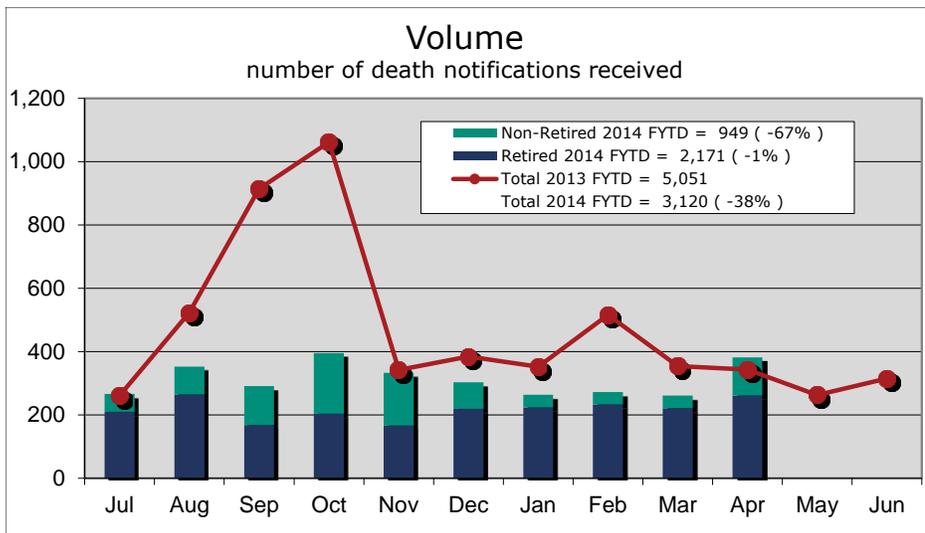
Percent completed in 20 business days



Adjustments Timeliness (average turnaround time in days)

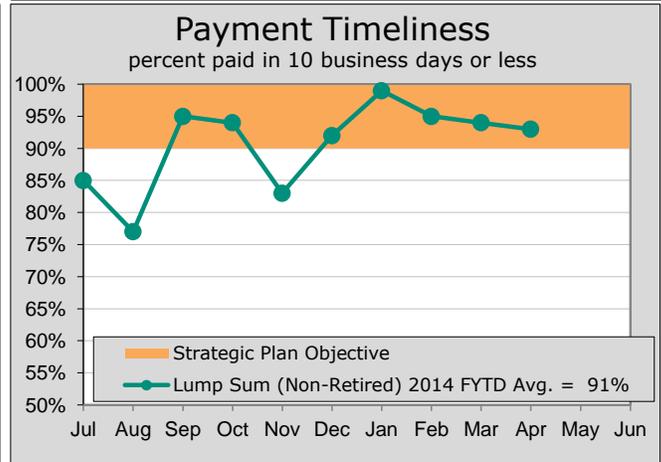
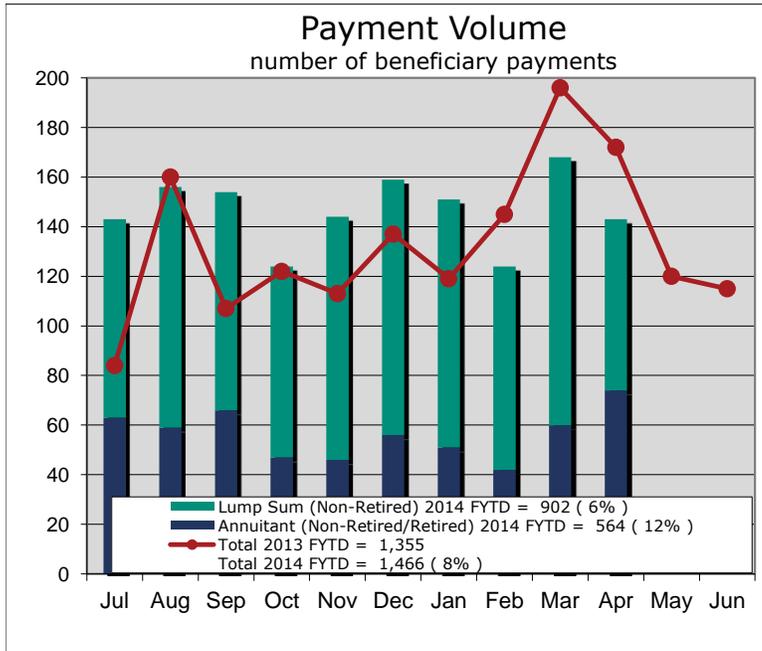
2	2	2	1	3	3	1	2	3	6		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

Survivor Benefits



Packet Timeliness (average TAT in days)

Non Retired											
17	22	7	8	7	13	19	8	17	9		
Retired											
3	3	4	2	2	2	2	2	2	2		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun



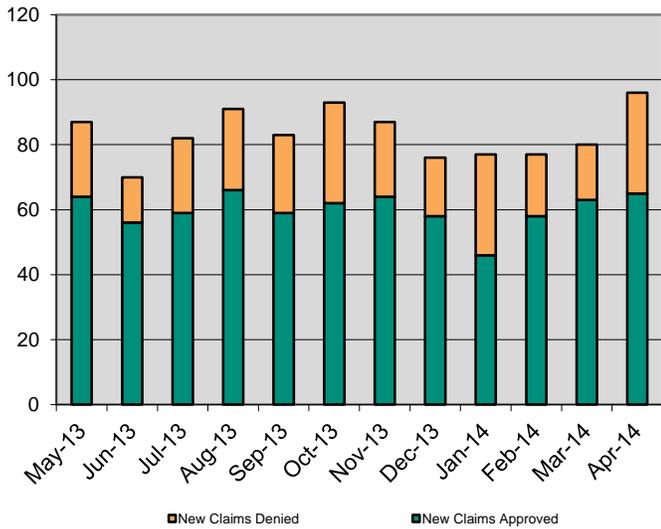
Payment Timeliness (average TAT in days)

Lump Sum (Non-Retired)											
7	6	5	5	7	5	2	2	3	5		
Annuity (Retired and Non-Retired)											
5	6	4	4	4	2	2	1	2	4		
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun

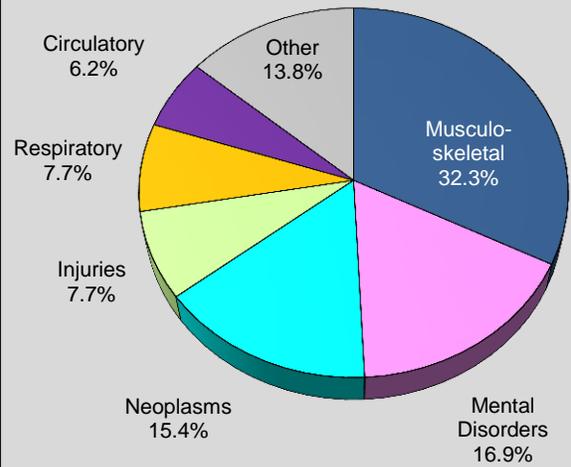
ASRS Disability Plans - Monthly Highlights

April 2014

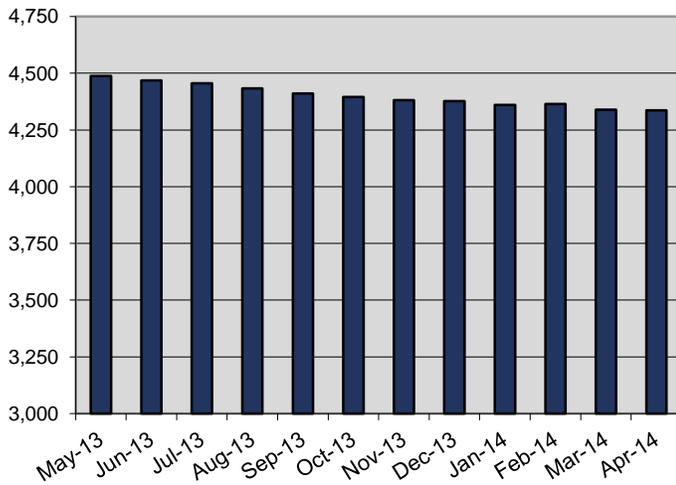
New Claims Processed



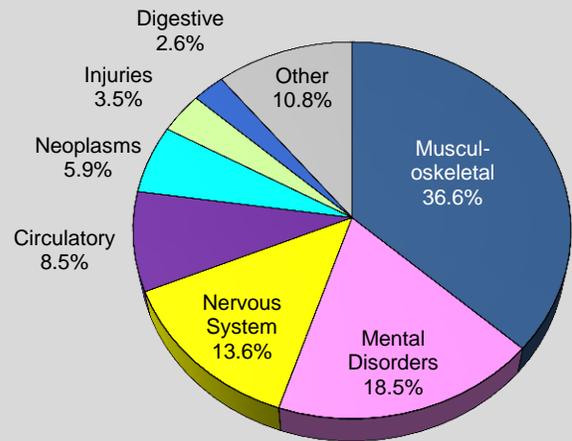
New Claims Approved



Open LTD Claims



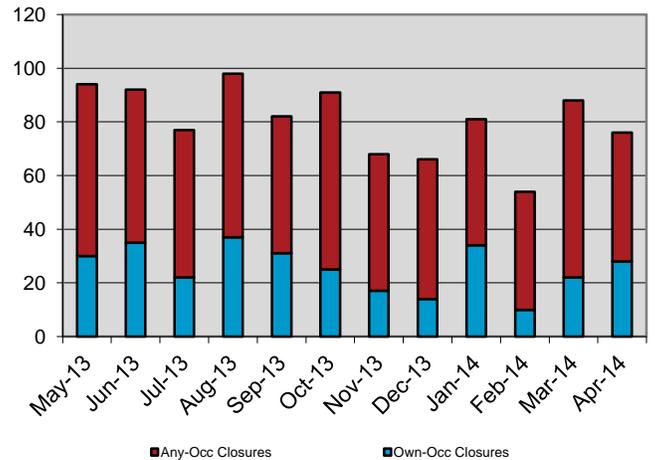
Open LTD Claims



SS Approval Percentage



Active Claim Closures



Arizona State Retirement System
FY 2014 Appropriated Budget
(as of April 30, 2014)

	APPROPRIATIONS FISCAL YEAR 2014	EXPENDED YTD	% EXPENDED
OPERATING BUDGET			
Personal Services	\$ 13,024,000	\$ 10,378,400	79.69%
Employee Related Expenses	\$ 4,987,500	\$ 4,037,700	80.96%
Professional & Outside Services	\$ 775,000	\$ 1,434,100	185.05%
Travel	\$ 98,600	\$ 62,600	63.49%
Other Operating Expenses	\$ 2,655,500	\$ 1,238,600	46.64%
Equipment	\$ 389,500	\$ 75,900	19.49%
Operating Subtotal	\$ 21,930,100	\$ 17,227,300	78.56%
OTHER APPROPRIATIONS			
Long Term Disability Administration	\$ 2,800,000	\$ 1,889,400	67.48%
Oracle Forms and Reports Modernization	\$ 1,390,000	\$ 1,009,000	72.59%
HB 2001 - Statewide IT and Automation Projects	\$ 151,000	\$ -	0.00%
SB 1170 - Survivor Benefits Modifications	\$ 200,000	\$ 200,000	100.00%
HB 2562 - 401(a) and LTD for Ineligibles	\$ 502,400	\$ 8,900	1.77%
TOTAL FY 2014 Appropriated Funds	\$ 26,973,500	\$ 20,334,600	75.39%

	APPROPRIATIONS PRIOR YEAR	EXPENDED TO DATE	% EXPENDED
PRIOR YEAR LEGISLATIVE APPROPRIATIONS (NON-LAPSING)			
FY 2013 - HB 2745 - Distribution Modifications	\$ 47,000	\$ 21,600	45.96%
FY 2013 - SB 1119 - Spousal Consent Modifications	\$ 200,000	\$ 61,200	30.60%
FY 2012 - SB 1609 - ACR Plan Design Changes	\$ 250,000	\$ 250,000	100.00%
FY 2012 - SB 1614 - ASRS Contribution Rate	\$ 600,000	\$ 477,600	79.60%
FY 2011 - HB 2389 - ASRS Plan Design Changes	\$ 1,341,700	\$ 1,137,400	84.77%

	APPROPRIATIONS REMAINING	EXPENDED YTD	% EXPENDED
PRIOR YEAR OPERATING APPROPRIATIONS (NON-LAPSING)			
FY 2011, ASRS Operating Budget & LTD Admin	\$ 796,800	\$ -	0.00%

Budget Summary for Fiscal Year 2014 As of April 30, 2014

Operating Budget

The operating budget information on the previous page is based on funding approved by the Board and the Legislature for the fiscal year July 1, 2013 through June 30, 2014. These ASRS operating expenses are distinguished from other areas of ASRS spending authority: such as expenditures for investment management and benefits payments. 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 twenty-two pay periods (84.6% of the annual payrolls) of fiscal year 2014.

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. Expended year-to-date amounts reflect payments for services through 3/31/2014.
- **Oracle Forms and Reports Modernization**
The amount appropriated (non-lapsing) for the first year of a five-year software modernization project.

Non-Lapsing Appropriations for Legislative Initiatives

The amount appropriated by the Legislature for the implementation of:

- FY 2014 - HB 2001 - Statewide IT and Automation Projects
- FY 2014 - HB 2562 - 401(a) and LTD for Ineligibles
- FY 2014 - SB 1170 - Survivor Benefits Modifications
- FY 2013 - HB 2745 - Distribution Modifications
- FY 2013 - SB 1119 - Spousal Consent Modifications
- FY 2012 - SB 1609 - Alternate Contribution Rate Plan Design Changes
- FY 2012 - SB 1614 - ASRS Contribution Rate
- 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 Appropriated column represents funds that have been approved by the Legislature and the ASRS Board for FY 2014, and includes prior year legislative appropriations.
- 2) The Expended column represents the expenditures to date.
- 3) The % Expended column identifies the portion of each line item that has been expended year-to-date. This column is intended to be a guide to the rate of spending during the fiscal year.

ASRS FISCAL YEAR 2014, CONTINUOUSLY APPROPRIATED REPORT
(with summarized Appropriated Expenses)

DESCRIPTION	EXPENDED YTD as of 4/30/14	ESTIMATED ANNUAL EXPENSES (Projections updated quarterly)	EST. ANNUAL EXPENSES AS % OF AUM	EST. ANNUAL EXPENSES PER MEMBER
Custodial Banking, Security Lending and Master Cash STIF Fees	1,114,000	1,892,000		
<i>Public Markets</i>				
External Investment Management Fees	45,047,000	72,119,000		
Transactional and Other Fees	2,149,000	2,580,000		
<i>Private Markets</i>				
Private Equity Management Fees	28,849,000	40,040,000		
Private Equity Performance Incentive and Other Fees	25,733,000	34,311,000		
Real Estate Management Fees	14,355,000	23,513,000		
Real Estate Performance Incentive and Other Fees	16,845,000	22,460,000		
Opportunistic Management Fees	10,321,000	13,855,000		
Opportunistic Performance Incentive and Other Fees	23,041,000	30,721,000		
Investment Management Expenses	\$ 167,454,000	\$ 241,491,000	0.719%	\$ 445.31
Investment Consulting Services	1,926,000	3,636,000		
Investment Related Legal Services	491,000	1,135,000		
Investment Electronic Information Services	1,303,000	1,476,000		
Investment Related Consulting, Legal and Information Services	\$ 3,720,000	\$ 6,247,000	0.019%	\$ 11.52
Financial Consulting Services	35,000	65,000	0.000%	\$ 0.12
Rent	1,077,000	1,455,000	0.004%	\$ 2.68
Actuarial Consulting Fees	\$ 853,000	\$ 1,366,000	0.004%	\$ 2.52
Retiree Payroll (Disbursement Administration)	\$ 1,710,000	\$ 2,453,000	0.007%	\$ 4.52
Total Continuously Appropriated Expenses	\$ 174,849,000	\$ 253,077,000	0.753%	\$ 466.67
Total Current Year Appropriated Expenses	\$ 20,334,600	\$ 26,973,500	0.080%	\$ 49.74
Total Expenses (Continuously Appropriated and Appropriated)	\$ 195,183,600	\$ 280,050,500	0.833%	\$ 516.41

ASRS Estimated Total Market Value of Assets Under Management (AUM) as of March 31, 2014
ASRS Total Membership as of June 30, 2013

\$ 33,602,800,000
542,300

Continuously Appropriated Expenses for FY 2014 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

Investment management fees

- Public Markets
 - External investment management fees (public) year-to-date expenditure amounts reflect all of the fees due for the first two quarters of FY 2014 and sixty percent of the fees due for the third quarter of FY 2014.
 - Transactional and other fees include foreign taxes and commissions on derivatives and other incidental costs. These fees were added to this report beginning in February 2014.
- Private Markets
 - Private Equity, Real Estate and Opportunistic Management fees year-to-date expenditure amounts reflect the fees due for the first three quarters of FY 2014.
 - Performance incentive and other fees include management performance incentives, carried interest and the ASRS proportional share of the transactional and operational cost of the underlying partnerships/investment structures. These fees were added to this report beginning in February 2014.

Investment 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. Payments have been made for rent through March 31, 2014.

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.

The report includes projected expenditures for the current fiscal year. Actual expenditures are reported monthly and estimated annual expenses will be reviewed and adjusted quarterly. The estimated annual expenses reflected were last updated as of the close of the quarter ending March 31, 2014.

ASRS Cost Savings Initiatives
Estimated as of June 30, 2013, in Millions of Dollars

Action	Calendar Year Proposed	Calendar Year Adopted	Reduction in Total Contribution Rate*	Annual Reduction in Total Contribution Amount	Present Value of Savings on Closed Group Basis		Present Value of Savings on Open Group (No Growth**) Basis		
					Past	Future	Past	Future	
Cost Savings Initiatives Contained in Current Valuation & Reflected in Lower Current Contribution Rate¹						Past	Future	Past	Future
1 Change basis for service purchases from normal cost to actuarial present value (APV)	2003	2004	0.60%	\$52.51	\$667.40	\$366.18	\$667.40	\$1,141.52	
2 Correction of Permanent Benefit Increase (PBI) reserve	2003	2004	0.04%	\$3.50	\$44.30	\$24.41	\$44.30	\$24.41	
3 Decrease interest credited on withdrawn contributions from 8% to 4%	2004	2004	0.27%	\$23.63	\$349.95	\$164.79	\$349.95	\$513.70	
4 Decrease interest credited on withdrawn contributions from 4% to 2%	2012	2012	0.44%	\$38.51	\$40.58	\$268.55	\$40.58	\$837.17	
5 Redesign non-retired survivor benefits***	2013	2013	0.02%	\$1.75	\$1.84	\$12.20	\$1.84	\$38.04	
sub-total, past and future			1.37%	\$119.90	\$1,104.07	\$836.13	\$1,104.07	\$2,554.84	
sub-total, savings in current valuation			1.37%	\$119.90	\$1,940.20		\$3,658.91		
Cost Savings Initiatives Contained in Future Experience²						Past	Future	Past	Future
6 Long Term Disability (LTD) program design changes	2003	2004	0.02%	\$1.75	\$26.52	\$12.20	\$26.52	\$38.04	
7 Reimbursements for early retirement incentives	2003	2004	0.18%	\$15.75	\$233.08	\$109.83	\$233.08	\$342.39	
8 Increase interest rate on payroll deduction agreements (PDAs) from 0% to 8%	2004	2004	0.16%	\$14.00	\$207.62	\$97.63	\$207.62	\$304.35	
9 Pop-up restrictions	2005	2006	0.41%	\$37.51	\$415.67	\$261.58	\$415.67	\$815.43	
10 Rescinding modified Deferred Retirement Option Plan (mDROP)	2005	2006	0.50%	\$43.72	\$499.68	\$304.89	\$499.68	\$950.43	
11 LTD changes to offsets and pre-existing condition period	2005	2007	0.15%	\$13.13	\$128.03	\$91.56	\$128.03	\$285.43	
12 Recapture of unclaimed monies	2007	2008	0.01%	\$0.56	\$5.59	\$3.91	\$5.59	\$12.17	
13 Eliminate 80% cap on retirement benefits	2008	2009	0.04%	\$3.50	\$18.13	\$24.41	\$18.13	\$76.09	
14 Require 20/20 Rule for dual employment situations	2009	2009	0.04%	\$3.25	\$16.77	\$22.66	\$16.77	\$70.65	
15 Eliminate enhanced refunds****	2005	2010	0.16%	\$14.07	\$31.19	\$98.12	\$31.19	\$305.87	
16 Replace Rule of 80 with Rule of 85****	2006	2010	0.30%	\$26.38	\$58.47	\$183.96	\$58.47	\$573.48	
17 Replace 36-month average salary with 60-month average****	2006	2010	0.25%	\$21.99	\$48.73	\$153.35	\$48.73	\$478.04	
18 Apply Alternative Contribution Rate (ACR) to return-to-work****	2011	2011	0.25%	\$21.99	\$48.73	\$153.35	\$48.73	\$478.04	
19 Compute service purchases with 6% discount rate	2012	2012	0.08%	\$7.08	\$7.46	\$49.37	\$7.46	\$153.91	
20 Eliminate service purchases through partial lump sums	2012	2012	0.07%	\$5.74	\$6.05	\$40.03	\$6.05	\$124.78	
21 Eliminate Permanent Benefit Increases for future members	2013	2013	0.11%	\$9.63	\$10.15	\$67.16	\$10.15	\$209.35	
Non-ASRS Initiatives						Past	Future	Past	Future
22 Replace Rule of 85 with 55&30 or 60&25****	2011	2011	0.00%	\$0.60	\$1.30	\$4.18	\$1.30	\$13.04	
23 Change pre-retirement death benefit to sum of employee and employer balances (ASRS Initiative)	2011	2011	0.04%	\$3.22	\$7.13	\$22.45	\$7.13	\$70.00	
24 Adopt 6-month delay in contributions from state members****	2011	2011	-0.13%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
25 Prospective cost-shift of 6-month delay (not included in totals)****	2011	2011	N/A	(\$11.63)	(\$25.48)	(\$81.08)	(\$25.48)	(\$252.74)	
sub-total, past and future			2.64%	\$243.87	\$1,770.30	\$1,700.64	\$1,770.30	\$5,301.49	
sub-total, savings emerging in experience			2.64%	\$243.87	\$3,470.94		\$7,071.79		
GRAND TOTAL			4.01%	\$363.77	\$5,411.14		\$10,730.70		

*These changes to the total contribution rate are multiplied by current payroll to give annual savings amounts in the next column. The annual savings amounts are then converted to the present values shown in the last two columns. These values include both accumulated past savings and estimated future savings. The savings from basing service purchases on actuarial present value is a reduction in future service liabilities. For the reduction in the interest crediting rate and the changes to LTD offsets and pre-existing condition period, the savings arise from reductions in future service and past service liabilities. Other Actuarial Valuation Basis savings are reductions to past service liabilities, i.e., capitalizations of the annual savings amounts over 30 years. Recapture of unclaimed monies will occur every year, but the numbers above are converted to a level annual savings amount.

** No growth scenario means that the projection maintains the size and age distribution characteristics of the current active population.

*** Redesign includes removal of \$5,000 requirement to elect an annuity and elimination of the present value calculation.

**** Savings will increase each year, from zero to the open-group amount, as new hires become subject to the new provisions.

*****6-month delay will eliminate contributions for members with less than 6 months of service at the valuation date, but will transfer costs to other members and employers.

Cost will increase each year, from zero to the open-group amount as new hires are subject to the new rules.
Costs above give the combined effect of each bill -- if a bill changes three plan provisions, the cost of each reflects the adoption of the other two provisions.

Some of these changes will not be reflected in their entirety in the current valuation report, but will be captured in future reports as actuarial gains. For example, the Plan valuation contains no assumption on Payroll Deduction Agreements (PDAs), so the absence of interest charges in the past has been reflected as an actuarial loss. The change to 8% interest charges will end the losses and eventually reduce the total contribution rate by 0.16%.

Explanation of Cost Reduction Initiatives

¹ASRS changed the basis for service purchases from the average normal cost rate to the actuarial present value rate. In this way, members who buy service pay the entire cost of their service purchases, and the purchases have no effect on contribution rates.

¹ASRS reduced the rate of interest credited on members' account balances from 8% to 4% as of July 1, 2005.

¹The 2001 addition to the Permanent Benefit Increase reserve was overstated in that year. ASRS corrected the reserve and thereby reduced the reserve committed to future Permanent Benefit Increase awards.

²Members can enter into Payroll Deduction Agreements to purchase service over time through payroll deduction. ASRS revised the method of calculating payments under these agreements to include 8% annual interest.

²ASRS members have been able to change the form of benefit they elect (e.g., joint & survivor to straight life) after they have begun to receive payments, and to do so as many times as they want whenever they want. By legislative action, this ability will be limited to a one-time election to change to a single life pension.

²Some ASRS employers have offered their employees incentives to retire early. These incentives can increase ASRS liabilities. By legislative action, future incentives will be funded by the employers who offer them.

²By legislative action, the modified Deferred Retirement Option Plan, which would have allowed members to earn as much as six years of service for three years of work, was rescinded.

²The legislature closed certain loopholes in the Long Term Disability program that allowed members to receive benefits for a longer period than intended.

²Legislation increased the offsets for Social Security income to 85% and extended the pre-existing condition period to six months.

²2008 Legislation exempts ASRS from unclaimed property procedures and allows ASRS to recapture assets abandoned after participant's age 73.5.

²2009 Legislation eliminated the 80% cap on benefits that had been in place since 2001.

²2009 Legislation requires a member to meet membership (20/20 Rule) in ASRS before contributing to a second employer, subject to a grandfathering clause.

²Upon withdrawal, members receive 25-100% of employer contributions depending on years of service. 2010 Legislation eliminates the return of employer contributions for members hired on or after July 1, 2011. Since 2010 changes are for prospective members only, we show open-group present values.

²Normal retirement can be achieved when a member's age + years of service equals 80 (points). 2010 Legislation requires members hired on or after July 1, 2011 to reach 85 points for normal

²Retirement benefits are calculated based on an average of the member's highest 36 months of salary in the 10 years prior to retirement. 2010 Legislation substitutes a 60 month average for members hired on or after July 1, 2011.

These rows represent legislative initiatives from non-ASRS sources.

2011 legislation replaced rule of 85 for members hired after 6/30/2011 with age 55 and 30 years of service or age 60 with 25 years of service.

2011 legislation changed the split of member/employer contributions from 50%/50% to 53%/47%, effective 7/1/2011

2011 legislation instituted a 6-month delay in contributions from or on behalf of members with less than 6 months of service, effective 7/1/2011.

**Arizona State Retirement System
Staffing Report
(April 30, 2014)**

ASRS by Division	246 Full Time Equivalents (FTEs)	New Hires	New Exits	Vacancies	Vacancy Rate
Administrative Services Division (ASD)	16 ^x	0	1.0	4.75	29.69%
Director's Office (DIR)	11	0	0	1.0	9.01%
External Affairs (EAD)	10	0	0	1.0	10.00%
Financial Services (FSD)	62	0	0	3.5	5.65%
Technology Services (TSD)	48	2.0	0	7.0	14.58%
Internal Audit (IAD)	5	0	0	0	0.00%
Investment Management (IMD)	11	0	0	1.0	9.09%
Member Services (MSD)	83	6.0	0	2.25	2.71%
	246[†]	8.0	1.0	20.50	8.33%

Turnover	April 2014 New Hires	April 2014 Exits	Total Exits (Last 12 Months)	Annualized Turnover %
	8.0	1.0	33	14.72%

[†]Note: FY 14 HB2562 added one FTE. This position has not yet been assigned to an ASRS division and is not currently included in the agency FTE count. When included, the agency will total 247 FTEs.

^xNote: The Chief Procurement Officer position located in ASD was relocated to the Arizona Department of Administration. The employee in the position has transferred, however the position will remain vacant through FY 14 and officially transfer July 1, 2014.

Pending Activity

- ASD – Sr. Training/Development Officer (2): Currently recruiting for two positions
- EAD – Employer Liaison: Recruitment complete, start date 05/12/2014
- FSD – Accountant I: Recruitment complete, start date 05/12/2014
- MSD – Benefits Technician: Recruitment complete, start date 05/12/2014
- MSD – Member Education Specialist: Currently recruiting
- TSD – Build/Release Engineer: Currently recruiting
- TSD – Project Manager/Business Analyst (2): Currently recruiting for two positions
- TSD – Software Engineer (3): Currently recruiting for three positions
- TSD – Technical Lead: Recruitment complete, start date 05/12/2014

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: Green = Normal risk Yellow = Greater than normal risk Red = 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	● ○ ○	
FSD	Monthly Pension Payroll Processing	● ○ ○	
FSD	New Retiree Processing	● ○ ○	
MSD	New Retiree Processing	● ○ ○	
FSD	Survivor Benefit Processing	● ○ ○	
MSD	Survivor Benefit Processing	● ○ ○	
MSD	Refund 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: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
MSD/FSD	Service Purchase Processing	● ○ ○	
FSD	Records Management (data processing/imaging)	● ○ ○	
IA	Internal Audit	● ○ ○	
EA	Employer Relations	● ○ ○	
EA	Rule Writing	○ ● ○	Limited rule writing functions have been carried out by ASRS staff and through the procurement of outside professional services. Executive management has prioritized recently several rulemakings that will impact the ability of limited and external resources to accomplish objectives in a timely manner.
EA	Legislative Relations	● ○ ○	
EA	Communications/Media Relations	● ○ ○	
EA	Web Services	● ○ ○	
EA	Health Insurance/LTD Benefits Administration and Communication	● ○ ○	
MSD	LTD Member Contacts, Benefit 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: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
FSD	Health Insurance Member Contacts, Benefit Processing Transfer Processing	● ○ ○	
MSD	Health Insurance	● ○ ○	
FSD	Transfer Processing	● ○ ○	
FSD	General Accounting	● ○ ○	
FSD	Contribution Collections and Posting	● ○ ○	
TSD	Network Support	○ ● ○	The addition of the security professional has helped in our security activities while demonstrating the need for more resources to continue to mature the security program. In addition, our current daily tasks continue to consume our Tier I and Tier II resources, making it difficult to manage user requests and complete the system upgrades. Recruitment for a Build/Release Engineer is currently underway.
TSD	Business Applications Development and Support	○ ● ○	The planned workload requires a complement of 44 total resources (31 FTEs and 13 external resources). Our current complement of resources is 44 (25 FTEs and 19 external resources). In April 2014, two FTEs were hired with one of the two hired from the current pool of external resources.
IMD	Investment Management	● ○ ○	
DIR	Board/Executive Staff Support	● ○ ○	

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: Green = Normal risk Yellow = Greater than normal risk Red = Negative impact			
DIR	Strategic Planning/Analysis	○●○	Enhancements to the agency's enterprise wide risk management program implemented as a result of an internal audit, coupled with an increasing need throughout the agency for analysis, project management, and survey development/administration, are impacting the current resources' ability to develop, monitor, and report on strategic priorities, goals, and objectives.
ASD	Human Resources	●○○	
ASD	Training and Development	○●○	In April 2014, staffing was insufficient to meet the Training and Development Team's business needs and strategic objectives. Significant factors causing the strain on staffing were due to increased program development requests and implementation of strategies to improve retention. Long term, the elevated demand is expected to remain and to manage staffing needs appropriately recruitment for two additional resources is currently underway.
ASD	Contracts and Procurement	●○○	
ASD	Facilities Management	●○○	
ASD	Budget Administration	●○○	

**ARIZONA STATE RETIREMENT SYSTEM
COMBINED STATEMENT OF CHANGES IN TOTAL FUND CASH
FOR THE MONTH ENDED APRIL 30, 2014**

	Retirement Plan Fund	Retirement System Fund	Health Benefit Supplement Fund	Long-Term Disability Fund	Current Period April	Fiscal 2014 YTD April	Fiscal 2013 YTD April
ADDITIONS							
Contributions:							
Member contributions	\$ 79,970,421	\$ 2,336	\$ -	\$ 1,705,670	\$ 81,678,428	\$ 812,778,514	\$ 772,371,496
Employer contributions	75,818,863	2,336	4,246,666	1,701,858	81,769,723	812,962,720	775,884,312
Alternative contributions (ACR)	1,967,150	-	44,607	40,146	2,051,902	19,690,144	17,452,475
ERRP reimbursement*	-	-	-	-	-	-	-
Transfers from other plans	26,033	-	-	-	26,033	740,506	974,707
Purchased service	1,883,817	-	-	-	1,883,817	25,778,166	33,261,773
TOTAL CONTRIBUTIONS	159,666,284	4,673	4,291,273	3,447,674	167,409,903	1,671,950,050	1,599,944,763
DEDUCTIONS							
Investment management fees and monitoring services	10,908,067	-	-	-	10,908,067	60,215,239	53,037,739
Retirement and disability benefits	205,929,717	3,316,837	8,593,680	5,177,178	223,017,413	2,240,570,005	2,137,694,354
Survivor benefits	3,652,871	8,520	-	-	3,661,390	33,305,801	33,454,903
Refunds to withdrawing members, including interest	18,246,749	4,094	-	-	18,250,843	197,523,127	175,115,044
Administrative expenses	2,895,629	-	-	196,669	3,092,298	29,892,119	29,768,192
Transfers to other plans	89,373	-	-	-	89,373	867,030	515,245
Other	3,928	-	-	-	3,928	42,495	(58,355)
TOTAL DEDUCTIONS	241,726,334	3,329,450	8,593,680	5,373,848	259,023,312	2,562,415,816	2,429,527,121
INCREASE (DECREASE)	(82,060,050)	(3,324,778)	(4,302,407)	(1,926,174)	(91,613,409)	(890,465,766)	(829,582,358)
From securities lending activities:							
Security loan program	142,571	-	-	-	142,571	1,585,433	829,946
Security loan interest expense / (Rebate)	(31,719)	-	-	-	(31,719)	(63,974)	(1,159,939)
Net income from securities lending activities	174,290	-	-	-	174,290	1,649,407	1,989,884
Capital Calls / (Distributions)							
Real Estate	(31,846)	2,532	(1,367)	-	(30,681)	124,298,051	67,252,255
Private Equity	15,294,178	-	689,974	-	15,984,152	40,221,226	165,055,976
Opportunistic Investments**	33,170,086	285,468	1,435,889	-	34,891,443	625,851,086	392,932,894
TOTAL Capital Calls	48,432,418	288,000	2,124,496	-	50,844,913	790,370,363	625,241,125
NET INCREASE (DECREASE)	\$ (130,318,178)	\$ (3,612,777)	\$ (6,426,903)	\$ (1,926,174)	\$ (142,284,032)	\$ (1,679,186,723)	\$ (1,452,833,599)

* Represents Early Retirement Reinsurance Program reimbursements from Federal Government.
Funds can only be used to offset retiree health insurance costs per federal guidelines.

** Private Debt is included in Opportunistic Investments.

Date Received	Appeals	Issues/Questions Regarding	Status/Comments
1/23/2012	Arizona State University	Appellant is disputing an ASRS employer termination incentive program invoice.	ASU appealed to the Court of Appeals 02/12/2014. Court of Appeals case number is CA-CV 14-0083.
6/21/2012	Bonnie Pendergast	Appellant is seeking to purchase 9.89 service years.	OAH decision affirming ASRS staff decision; affirmed by ASRS Board 09/21/2012; MCSC appeal Case No. LC2012-000596 ASRS Board decision on 02/12/2013. Overturned. ASRS filed appeal to the Court of Appeals on 03/12/2013. Decision Affirming Superior Court.
4/22/2013	Luz Academy of Tucson & Adalberto M. Guerrero Middle School	Appellant is disputing an ASRS audit that designated four individuals as ineligible for ASRS membership.	OAH decision partially affirming ASRS staff decision; accepted by ASRS Board on 09/27/2013. Luz Academy appealed to Superior Court. MCSC Case No. LC2013-000572-001DT. Oral Argument scheduled for July, 2014.
2/4/2014	Alice Schireman	Appellant is disputing that there are no ASRS survivor benefits remaining on ASRS member, Alvin Schireman's account.	OAH hearing held on 04/10/2014.
2/10/2014	Arthur Gross	Disputing the ASRS use of forfeited salary information for the purposes of calculating his pension benefit.	OAH hearing held on 04/07/2014.
02/25/2014	Adam Morris	Disputing his membership eligibility for fiscal years 2001, 2004 and 2005 and is requesting an invoice for contributions not withheld during that time.	OAH Hearing held on 04/21/2014.
04/21/2014	James P. Kelly	Disputing ASRS inability to forgive overpayment owed due to erroneous contributions submitted by City of Surprise.	OAH Hearing scheduled for 06/18/2014.

- Please note any updates have been bolded.



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, Arizona State Retirement System (ASRS) Board
FROM: Mr. Paul Matson, Director
DATE: May 12, 2014
RE: Delinquent Employers

As of May 12, 2014, 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:

Colorado River Sewage System	\$ 24,000*
Destiny School	\$ 36,000*
Great Expectations Academy	\$ 24,000*
Westwind Academy	\$ 15,300
Caurus Academy	\$ 13,900
Harquahala Valley Irrigation District	\$ 7,000*
Diamond Star Fire District	\$ 1,300*
Picture Rocks Fire District	\$ 750*
Starshine Academy	\$ 36,000*
PAPAS Stars	\$ 60,000*
LUZ Academy	\$ 35,000*
Park View Middle School	<u>\$ 7,000</u>
Total	<u>\$260,250*</u>

* Estimated amount

Confidential executive session materials regarding *Pendergast v. Arizona State Retirement System* and possible Petition for Review to the Arizona Supreme Court were provided to the Trustees and were not included in this packet.