

Arizona State Retirement System

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Subcommittee: Health & Welfare

DESCRIPTION	FY 2002	FY 2003	FY 2004		FY 2005	
	ACTUAL	ESTIMATE	OSP	JLBC	OSP	JLBC
PROGRAM BUDGET						
Arizona State Retirement System	15,125,900	14,980,200	14,596,300	13,916,100	14,825,600	14,197,100
Burke Litigation Settlement SLI	2,819,200	0	0	0	0	0
Information Technology Plan SLI	2,830,500	9,053,400	8,993,700	8,994,200	8,993,700	8,994,300
AGENCY TOTAL	20,775,600	24,033,600	23,590,000	22,910,300	23,819,300	23,191,400

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	168.0	173.0	194.0	197.0	196.0	197.0
Personal Services	6,192,300	7,426,700	8,108,700	7,447,500	8,229,700	7,447,500
Employee Related Expenditures	1,405,900	1,802,200	1,989,800	1,924,100	2,016,100	1,924,200
Professional and Outside Services	5,764,800	3,904,800	3,657,400	3,166,600	3,857,400	3,447,500
Travel - In State	39,500	60,000	60,000	24,900	60,000	24,900
Travel - Out of State	15,800	25,000	25,000	25,000	25,000	25,000
Other Operating Expenditures	1,357,700	1,637,000	490,400	1,203,500	492,800	1,203,500
Equipment	349,900	124,500	265,000	124,500	144,600	124,500
OPERATING SUBTOTAL	15,125,900	14,980,200	14,596,300	13,916,100	14,825,600	14,197,100
Special Line Items (SLI)	5,649,700	9,053,400	8,993,700	8,994,200	8,993,700	8,994,300
AGENCY TOTAL	20,775,600	24,033,600	23,590,000	22,910,300	23,819,300	23,191,400

FUND SOURCES

General Fund	2,819,200	0	0	0	0	0
<u>Other Appropriated Funds</u>						
Long-Term Disability Administration Account	2,271,400	2,423,900	2,800,000	2,616,800	3,000,000	2,897,700
State Retirement System Administration Account	15,685,000	21,609,700	20,790,000	20,293,500	20,819,300	20,293,700
SUBTOTAL - Other Appropriated Funds	17,956,400	24,033,600	23,590,000	22,910,300	23,819,300	23,191,400
SUBTOTAL - Appropriated Funds	20,775,600	24,033,600	23,590,000	22,910,300	23,819,300	23,191,400
Other Non-Appropriated Funds	22,207,700	23,256,700	NA	24,293,800	NA	25,384,000
TOTAL - ALL SOURCES	42,983,300	47,290,300	NA	47,204,100	NA	48,575,400

CHANGE IN FUNDING SUMMARY

	FY 2003 to FY 2004 JLBC		FY 2003 to FY 2005 JLBC		Biennial
	\$ Change	% Change	\$ Change	% Change	\$ Change
General Fund	0	0	0	0	0
Other Appropriated Funds	(1,123,300)	(4.7%)	(842,200)	(3.5%)	(1,965,500)
Total Appropriated Funds	(1,123,300)	(4.7%)	(842,200)	(3.5%)	(1,965,500)

AGENCY DESCRIPTION — The Arizona State Retirement System (ASRS) provides retirement, survivors, health and disability benefits to employees of most public employers in Arizona, including public schools, most local and county governments, and the State of Arizona. As of June 30, 2002, ASRS membership included approximately 198,900 active (working and contributing) members, 110,000 inactive members, 60,300 retired members, 4,500 disabled members, and approximately \$19.1 billion in assets (market value).

PERFORMANCE MEASURES	FY 2002	FY 2002	FY 2003	FY 2004
	Appropriation	Actual	Appropriation	Recommend.
• % of members satisfied with ASRS telephone services	85	78	85	87
• % of members satisfied with the service purchase process	85	71	85	82
• % of investment returns	8	(8.2)	8	8
• % of liability funded	100	106	100	100
• % of benefit payment calculations that are accurate as measured by quality control sample	96	NA	96	96

Comments: The agency did not submit information for any measure labeled as "NA."

RECOMMENDED CHANGES FROM FY 2003

Standard Changes	OF	FY 2004	FY 2005
		\$(26,500)	\$(26,300)

Investment Expense **OF (1,999,400)** **(1,999,400)**

The JLBC recommends a State Retirement System Administration Account decrease for investment expenses that have been converted to non-appropriated status. Laws 2001, Chapter 136 converted actuarial expenses, retiree payroll, and rent to non-appropriated status. The FY 2003 appropriation included approximately \$1,999,400 for actuarial expenses, retiree payroll, and rent. As these items could now be funded from non-appropriated sources, the \$1,999,400 was expected to revert in FY 2003 and be eliminated beginning in FY 2004. The agency, however, has used these monies for other expenditures and the FY 2003 amount will not revert. The agency used \$709,700 to create a member call center; \$619,100 for salary increases and Employee Related Expenditures; \$460,400 for Other Operating Expenditures; \$100,000 to participate in national surveys and contract with vendors for direction, insight, and ideas to implement best practices for pension plans; \$75,100 for temporary staff and vendors to manage the group insurance open enrollment for retirees; and \$35,100 for Travel. This recommendation would eliminate funding for investment expenses that have been converted to non-appropriated status, with the exception of the Member Call Center as discussed below.

Member Call Center **OF 709,700** **709,700**

The JLBC recommends a State Retirement System Administration Account increase and 19 FTE Positions for FY 2004 and FY 2005 for the operation of a member call center. The agency established a member call center in FY 2002 with temporary staffing using existing funding (*see previous policy issue*). This policy issue would make the staffing permanent and continue existing funding. The new member call center has reduced caller wait time by 93% and the abandonment rate by 89%.

Administration **OF 0** **0**

The JLBC recommends an increase of 1 FTE Position for FY 2004 and FY 2005 for a Management Analyst for the Strategic Planning and Analysis Team. The agency currently employs 1 temporary staff as a Management

Analyst. The increase would make the position permanent and continue existing funding.

Information Technology
Plan SLI **OF 0** **0**

The JLBC recommends continuing State Retirement System Administration Account funding of \$17,988,500 and an increase of 4 FTE Positions for the agency's planned information technology improvements. ASRS has developed a long-term and comprehensive plan for information technology improvements. The agency plans to 1) finish the Public Employee Retirement Information System (PERIS), which is an integrated database project started in FY 1997; 2) upgrade the agency's networks and phone system; 3) move the agency's Web site from an informational to an interactive site; 4) implement an imaging project to reduce the amount of paper files; and 5) implement a new financial system. The new financial system was not included in the original plan but was added to convert the agency's largely manual financial system to a more integrated, automated system. Government Information Technology Agency approval will be required for the financial system before that portion of the project can proceed. The agency anticipates completing all of the elements of the plan by FY 2006, one year earlier than originally anticipated. With the addition of the financial system and cost increases in other elements of the project, total development costs are now projected to be approximately \$40,000,000.

Long-Term Disability **OF 192,900** **473,800**

The JLBC recommends a Long-Term Disability Administration Account increase for benefit payments and administration costs for projected growth in the number of members receiving long-term disability benefits. The ASRS self-funds its own payment of disability benefits, but contracts out for actual disbursement of the payments. Over the past 3 years, the number of members receiving disability benefits has increased by over 25%, from about 3,600 to 4,500.

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JLBC RECOMMENDED FORMAT — Lump Sum by Agency with Special Line Items

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Before the expenditure of the ~~\$18,000,000~~ biennial appropriation OF \$8,994,200 IN FY 2004 AND \$8,994,300 IN FY 2005 and the hiring of FTE Positions appropriated for the agency's information technology plan, the Retirement System shall present an expenditure plan IN EACH YEAR to the Joint Legislative Budget Committee Staff for review. The Retirement System shall include the approval of the project investment justification document by the Information Technology Authorization Committee as part of its submission to the Joint Legislative Budget Committee Staff. ~~On review,~~ The agency shall

provide semi-annual reports to the Joint Legislative Budget Committee Staff regarding the expenditures and project tasks completed to date. Funding appropriated for this purpose is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations through June 30, 2005. Actual divestiture of monies from the Retirement Fund for expenditure shall occur following the Joint Legislative Budget Committee Staff review of the agency's information technology plan.

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Administration Account (RSA1401/A.R.S. § 38-721)		Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: To pay the Arizona State Retirement System's administrative expenses.		
Funds Expended	15,685,000	21,609,700
Year-End Fund Balance	0	0
Administration Account - Investment Expenses (RSA1407/A.R.S. § 38-721)		Non-Appropriated
Source of Revenue: Transfer from the State Retirement Fund.		
Purpose of Fund: The Retirement Fund's Administration Account designated for investment expenses provides funding for the agency's investment management fees and related consulting fees, actuarial consulting fees, rent, and retiree payroll. Funding is subject to Retirement Board approval.		
Funds Expended	22,207,700	23,256,700
Year-End Fund Balance	0	0
Long-Term Disability Administration Account (RSA1408/A.R.S. § 38-797.02)		Appropriated
Source of Revenue: Long-Term Disability (LTD) Trust Fund.		
Purpose of Fund: To pay for the cost of administering the LTD program.		
Funds Expended	2,271,400	2,423,900
Year-End Fund Balance	0	0

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