

# Arizona State Retirement System

JLBC: Eric Jorgensen  
 OSPB: Matt Gottheiner

DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	197.0	197.0	214.0
Personal Services	7,495,700	7,626,500	8,179,100
Employee Related Expenditures	1,954,300	2,283,700	2,302,900
Professional and Outside Services	3,478,000	3,441,800	3,687,400
Travel - In State	48,900	49,800	53,600
Travel - Out of State	23,900	25,000	25,000
Other Operating Expenditures	1,234,100	1,225,200	1,400,200
Equipment	154,200	124,500	225,500
<b>OPERATING SUBTOTAL</b>	<b>14,389,100</b>	<b>14,776,500</b>	<b>15,873,700</b>
<b>SPECIAL LINE ITEMS</b>			
Information Technology Plan	6,736,800	9,051,900	5,005,100
<b>AGENCY TOTAL</b>	<b>21,125,900</b>	<b>23,828,400</b>	<b>20,878,800</b>

## FUND SOURCES

### Other Appropriated Funds

Long-Term Disability Administration Account	2,464,400	2,897,700	2,897,700
State Retirement System Administration Account	18,661,500	20,930,700	17,981,100
SUBTOTAL - Other Appropriated Funds	21,125,900	23,828,400	20,878,800
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,125,900</b>	<b>23,828,400</b>	<b>20,878,800</b>
Other Non-Appropriated Funds	30,277,800	32,287,500	34,584,200
<b>TOTAL - ALL SOURCES</b>	<b>51,403,700</b>	<b>56,115,900</b>	<b>55,463,000</b>

## CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
Other Appropriated Funds	(2,949,600)	(12.4%)
Total Appropriated Funds	(2,949,600)	(12.4%)
Non Appropriated Funds	2,296,700	7.1%
Total - All Sources	(652,900)	(1.2%)

**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, 2004, ASRS membership included approximately 205,600 active (working and contributing) members, 136,600 inactive members, 70,900 retired members, 4,700 disabled members, and approximately \$21.4 billion in assets (market value). Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and health insurance program administration.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• % of members satisfied with ASRS telephone services	82	82	87	87
• % of members satisfied with the service purchase process	NA	69	82	--
• % of investment returns	2.4	17.5	8	8
• % of liability funded	100	92.5	100	--
• % of benefit payment calculations that are accurate as measured by quality control sample	98.45	NA	96	96

**Comments:** The agency did not submit information for any measure labeled as "NA." According to the agency, telephone service satisfaction has increased as wait times have been reduced from 8 minutes to less than 60 seconds. As financial markets improve, investment returns are recovering from the losses of FY 2001 and FY 2002.

## RECOMMENDED CHANGES FROM FY 2005

### *Operating Budget*

The JLBC recommends \$15,873,700 for the operating budget in FY 2006. This amount consists of \$12,976,000 from the State Retirement System Administration Account and \$2,897,700 from the Long-Term Disability Administration Account. These amounts would fund the following adjustments:

#### **FY 2006**

#### **Member Services**

**Personnel**                      **OF**                      **\$774,500**

The JLBC recommends an increase of \$774,500 and 14 FTE Positions from the State Retirement System Administration Account in FY 2006 for Member Services Personnel. These positions will replace 8 temporary positions previously funded through the Information Technology Plan Special Line Item (SLI). They also increase the agency's capacity to meet the increasing level of demand for services. Three FTE Positions will handle walk-ins in Phoenix and Tucson. Walk-ins have increased 225% (from 10,700 to 24,000) since FY 2000. Four FTE Positions will work in production, processing requests and estimates. Seven FTE Positions will support external vendors and answer member questions regarding enrollment and benefits, and provide general administrative support.

**Temporary Staff**                      **OF**                      **245,600**

The JLBC recommends an increase of \$245,600 from the State Retirement System Administration Account in FY 2006 for temporary staff. This would provide additional temporary staff to assist in the call center or with clerical work during peak periods (including May, June and October). This staff would work for both the Membership and Financial Services divisions.

**Internal Auditor Position**                      **OF**                      **77,100**

The JLBC recommends an increase of \$77,100 and 1 FTE Position from the State Retirement System Administration Account in FY 2006 for an Internal Auditor position. This

position will assist in the internal audit of participating employers. This position will be responsible for rural counties, which make up 48% of employers and 22% of non-retired members, while 2 existing positions cover the metropolitan areas. The position ensures that employers are properly collecting and remitting contributions to the system.

### *Special Line Items*

#### **Information Technology Plan**

The JLBC recommends \$5,005,100 and 20 FTE Positions from the State Retirement System Administration Account in FY 2006 for the Information Technology Plan. This amount would fund the following adjustments:

**Standard Changes**                      **OF**                      **2,600**

The JLBC recommends an increase of \$2,600 from the State Retirement System Administration Account in FY 2006 for standard changes.

**Project Completion**                      **OF**                      **(4,177,300)**

The JLBC recommends a decrease of \$(4,177,300) from the State Retirement System Administration Account in FY 2006 for the project completion. The funding for the development and implementation of the Information Technology Plan is scheduled for completion in FY 2006. The remaining FY 2006 funding includes the document imaging project (\$2,856,400), and the computer programming associated with the implementation of Laws 2004, Chapter 106 (\$266,500) and Laws 2004, Chapter 252 (\$330,000). Chapter 106 requires employers to pay any unfunded liability created by a retirement incentive program and Chapter 252 changes the cost of service purchase to the actuarial present value.

**Records Management**                      **OF**                      **127,900**

The JLBC recommends an increase of \$127,900 and 2 FTE Positions from the State Retirement System Administration Account in FY 2006 for records management personnel and services. These positions would be used to implement the electronic conversion of new documents. ASRS is contracting with an outside

vendor to convert old files, but internal staff will convert new files as they are created. This also provides for offsite storage of electronic files for disaster recovery.

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

**JLBC RECOMMENDED FOOTNOTES**

*Standard Footnotes*

Before the expenditure of the appropriation of \$5,005,100 in FY 2006 and the hiring of FTE Positions appropriated for the agency's information technology plan, the Retirement System shall present an expenditure plan to the Joint Legislative Budget Committee Staff for review. The expenditure plan shall include current year and prior years' appropriations to be spent in the current year. 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. The agency shall provide semiannual reports to the Joint Legislative Budget Committee Staff regarding the expenditures and project tasks completed to date. 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.

**JLBC RECOMMENDED STATUTORY CHANGES**

The JLBC recommends an amendment to the FY 2003, FY 2004, and FY 2005 General Appropriation Acts changing the lapsing date of the Information Technology Plan SLI appropriations from June 30, 2005 to June 30, 2006 to complete the Information Technology Plan.

<b>SUMMARY OF FUNDS</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>
<b>Administration Account (RSA1401/A.R.S. § 38-721)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Transfer from the State Retirement Fund.		
<b>Purpose of Fund:</b> To pay the Arizona State Retirement System's administrative expenses.		
<b>Funds Expended</b>	18,661,500	20,930,700
<b>Year-End Fund Balance</b>	0	0
<b>Administration Account - Investment Expenses (RSA1407/A.R.S. § 38-721)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Transfer from the State Retirement Fund.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	30,277,800	32,287,500
<b>Year-End Fund Balance</b>	0	0
<b>Long-Term Disability Administration Account (RSA1408/A.R.S. § 38-797.02)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Long-Term Disability (LTD) Trust Fund.		
<b>Purpose of Fund:</b> To pay for the cost of administering the LTD program.		
<b>Funds Expended</b>	2,464,400	2,897,700
<b>Year-End Fund Balance</b>	0	0

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