Arizona State Retirement System **A.R.S. § 38-711**

Director: Paul Matson JLBC Analyst: Marge Zylla

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	235.0	236.0	236.0
Personal Services	10,171,600	10,750,000	12,094,800
Employee Related Expenditures	3,795,700	3,779,300	4,300,600
Professional and Outside Services	3,766,600	3,556,500	3,556,500
Travel - In State	59,200	53,600	53,600
Travel - Out of State	50,200	25,000	25,000
Other Operating Expenditures	1,515,600	1,952,700	1,976,300
Equipment	688,200	973,300	1,223,300
OPERATING SUBTOTAL	**20,047,100**	**21,090,400**	**23,230,100**
SPECIAL LINE ITEMS			
Administration Procedures	0	137,600	0
Information Technology Plan	2,818,500	2,819,000	0
AGENCY TOTAL	**22,865,600**	**24,047,000**	**23,230,100** 1/
FUND SOURCES			
Other Appropriated Funds			
Long-Term Disability Administration Account	2,749,800	2,800,000	2,800,000
Retirement System Administration Account	20,115,800	21,247,000	20,430,100
SUBTOTAL - Other Appropriated Funds	22,865,600	24,047,000	23,230,100
SUBTOTAL - Appropriated Funds	**22,865,600**	**24,047,000**	**23,230,100**
Other Non-Appropriated Funds	55,936,900	51,311,000	49,350,800
TOTAL - ALL SOURCES	78,802,500	75,358,000	72,580,900

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 the June 30, 2008 valuation, ASRS membership included approximately 227,730 active (working and contributing) members, 223,497 inactive members, 92,673 retired members, and 4,857 disabled members. ASRS has approximately $25.3 billion in assets (market value), $6.1 million in unfunded liability, and approximately $1.7 billion in benefit payments. Funding for the agency is appropriated except for investment management and consulting fees, rent, actuarial consulting fees, legal counsel costs, retiree payroll and heath insurance program administration.

PERFORMANCE MEASURES	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 Approved
• % of members satisfied with ASRS telephone services	96	93.7	95.1	96
• % of investment returns Comments: ASRS assumes an 8% rate of return for rate calculations.	9.8	17.8	(7.6)	8.0
• % of benefit payment calculations that are accurate as measured by quality control sample	99.5	99.5	99.5	99.5

1/ General Appropriation Act Funds are appropriated as an Operating Lump Sum by Agency. As appropriated by Laws 2009, 1st Regular Session, Chapter 11.

Operating Budget

The budget includes $23,230,100 and 236 FTE Positions for the operating budget in FY 2010. These amounts consist of:

	FY 2010
State Retirement System Administration Account	$20,430,100
Long-Term Disability Administration Account	2,800,000

These amounts fund the following adjustments:

Shift IT Plan SLI Funding to Operating Budget
The budget includes an increase of $2,819,000 and 20 FTE Positions from the State Retirement System Administration Account for the operating budget in FY 2010 to shift monies from the Information Technology (IT) Plan Special Line Item (SLI). Monies in the IT Plan SLI were appropriated for the development and operation of the IT Plan. Development of the IT Plan was completed in FY 2008. This transfer does not change the agency's total budget. *(Please see the IT Plan SLI for more details.)*

Technology Upgrades
The budget includes a decrease of $(787,700) from the State Retirement System Administration Account in FY 2010 for technology upgrade funding. This decrease would leave the technology upgrade funding level at $367,100, including $41,800 for ongoing operating costs. These upgrades include improvements to web security and network reliability. The Information Technology Authorization Committee approved the project in January 2007. This is the final year of upgrades in a 3-year upgrade project.

Statewide Health Insurance Adjustments
The budget includes an increase of $108,400 from the State Retirement System Administration Account in FY 2010 for state employee health insurance statewide adjustments. *(Please see the General Provisions section.)*

Administration Procedures

The budget includes no funding from the State Retirement System Administration Account for Administrative Procedures in FY 2010. This amount funds the following adjustments:

Eliminate One-Time Funding
The budget includes a decrease of $(137,600) from the State Retirement System Administration Account in FY 2010 for one-time funding used to implement statutory changes exempting ASRS from the State Unclaimed Property Act.

Information Technology Plan

The budget includes no funding for the IT Plan SLI in FY 2010. This amount funds the following adjustments:

Shift IT Plan SLI Funding to Operating Budget
The budget includes a decrease $(2,819,000) and (20) FTE Positions from the State Retirement System Administration Account in FY 2010 for adjustments to the IT Plan SLI. Development of the IT Plan was completed in FY 2008. This transfer does not change the agency's total budget. *(Please see the Operating Budget for more details.)*

Monies in this line item were appropriated for the development and operation of a business reengineering IT Plan. ASRS completed the development in FY 2008.

Additional Legislation

Long Term Disability Amendments
Laws 2009, Chapter 36 eliminates the cap to a member's monthly retirement benefits. ASRS does not expect administrative costs from this legislation.

ASRS estimates that these provisions will reduce the contribution rate 7 basis points, or 0.07%, by 2039.

Eliminating the retirement benefit cap may induce members to continue working. As a result, members contribute to the system for a longer period and receive benefits for a shorter period. This would reduce the contribution rate in the long run.

County Health Insurance Premiums
Laws 2009, Chapter 45 allows counties with a population of less than 300,000 to use public funds to pay health insurance premiums for retired members of ASRS, PSPRS, CORP or EORP. ASRS does not expect administrative costs from this legislation. This change will increase the contribution rate if counties offer health insurance premium payments as termination incentives. ASRS does not have an estimate of the rate increase.

Public Employee Retirement
Laws 2009, Chapter 95 allows ASRS to establish a plan for public employees, other than State employees, to save additional tax-deferred money for retirement. ASRS does not expect additional administrative costs from the legislation, as they plan to manage the plan similarly to an existing supplemental retirement plan using current staff.