

ARIZONA STATE RETIREMENT SYSTEM

LeRoy Gilbertson, Director

A.R.S. § 38-711

JLBC Analyst: Gretchen Logan

General Fund and Other Appropriated Funds	FY 1999 Actual	FY 2000 Estimate	FY 2001 Approved
FTE Positions	124.0	142.0	145.0
Personal Services	4,707,600	5,180,600	5,382,300
Employee Related Expenditures	950,400	1,070,000	1,147,200
Professional and Outside Services	581,700	1,960,300	1,273,300
Travel - In State	31,000	36,100	36,300
Travel - Out of State	23,600	13,600	13,600
Other Operating Expenditures	1,380,200	1,818,700	1,907,000
Equipment	212,800	905,700	212,700
Operating Subtotal	7,887,300	10,985,000	9,972,400
Public Employee Retirement Information System	74,000	454,500	169,000
LTD Administration	0	2,035,200	2,157,300
Automation Project Costs	1,136,400	0	0
Burke Litigation Settlement	0	750,000	4,200,000 ^{1/2/}
Total Appropriations	9,097,700	14,224,700	16,498,700^{3/}
<u>Fund Summary</u>			
General Fund	0	600,000	4,200,000
Retirement System Administration Account	9,097,700	11,589,500	10,141,400
Long-Term Disability Trust Fund	0	2,035,200	2,157,300
Total Appropriations	9,097,700	14,224,700	16,498,700

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, 1999, ASRS membership included approximately 176,400 active (working and contributing) members, 55,100 retired members, 3,700 disabled retirees, and approximately \$21,836,000,000 in assets (market value).*

Burke Litigation Settlement — This Special Line Item contains General Fund monies for settlement payments and attorney fees pertaining to the Burke Litigation Settlement. In addition, the FY 2000 appropriation includes funding from the Retirement System Administration Account for administrative activities related to the settlement. The settlement requires the state to reimburse employees who were affected by the ending of the defined contribution system in 1981. The reimbursement to affected employees is intended to make up for the contribution rate and earnings that were not paid from 1984 to the present.

Additional Legislation: Retirement; Tax Equity Benefit Increases (Chapter 231) — Provides a 2% tax equity benefit increase to members of the Public Safety Personnel Retirement System (PSPRS) and the Elected Officials

Retirement Plan (EORP) who were employed before September 15, 1989 and who retire after November 1, 1996, but before November 1, 2000. This increase is intended to offset the increased taxation of state and local government retirees resulting from a U.S. Supreme Court ruling in 1989 that concluded that these retirees should be subject to Arizona income taxes. Prior to this ruling, state and local government retirees were not subject to state income taxes. Since 1989, a total of 7 tax equity benefit increases have been granted.

Actuaries contracted by the retirement systems estimate that this provision would increase the PSPRS employer contribution rate by 0.08% and the EORP contribution rate by 0.16%. The JLBC Staff estimates the contribution rate increase could result in a FY 2002 cost of \$60,800 to the

^{1/} This appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

^{2/} Includes a FY 2001 appropriation of \$4,200,000 from the General Fund (GF) and a FY 2002 appropriation of \$9,000,000 GF pursuant to Laws 1999, Chapter 266 for settlement payments.

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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General Fund and \$18,400 to Other Appropriated Funds. However, the employer contribution rate is expected to decrease for these systems in FY 2002 due to better than expected investment performance. Therefore, the cost reported could be viewed as foregone savings instead of an increase above the current budget.

ASRS: Actuarial Computation: Study Committee (Chapter 341) — Establishes a study committee to examine and compare actuarial computation methods, including the projected unit credit (PUC) method and the entry age normal method. The study committee is required to make recommendations by December 1, 2000 on their finding regarding the actuarial computation methods examined. If the study committee recommends changing from the PUC method to another actuarial computation method, the report shall include 1) the time frame for implementing the change 2) the funding period to be used, and 3) the fiscal impacts of the alternatives examined.

[Click here for more information from the initial biennial appropriations report \(June 1999\)](#)