ASRS COMMITTEE YEAR END REPORT

THE FUNDS

In April of 2008 the Arizona State Retirement System fund stood at $28 billion. In late 2008 and early 2009, economic markets crashed and the fund dropped dramatically to $17 billion by March of 2009. ASRS was never in jeopardy of defaulting on benefit payments and has continued to make good financial decisions on behalf of members. The fund has rebounded to almost $24 billion as of April 2010.

2009 began with the state legislature desperate to find enough money to balance the budget. AEA-Retired knew this would be the year that passage of Proposition 100 in 1998 would pay off. Prop 100 was a constitutional amendment spearheaded by AEA-Retired, that not only protected our retirement funds from being raided by a future legislature in a budget crisis, but also added language preventing retirement benefits from being "diminished or impaired. The legislature floated at least one plan in 2009 to manipulate ASRS funds as part of a budget scheme but the plan died quickly.

Also as a result of investment losses in 2008, ASRS staff correctly predicted a reduction in the funded status of the older ASRS retirement fund known as the "System" and asked the Arizona Attorney General if Proposition 100 applied to members in the "System. On December 18th, 2009 the ASRS Board voted to accept Attorney General Terry Goddard's formal legal opinion that the Arizona Constitution also protects members of the "System" and benefits could not be reduced. A second question of who would be liable for any shortfalls in monthly benefit payments was answered by placing the responsibility for payments on the larger "Plan", and State of Arizona through legislative appropriation.

LEGISLATIVE ACTION

ASRS continued to seek support for a bill making design changes to the "Plan". The Board believes the changes will make the fund more solvent in future years. If passed, the following changes would apply to new hires after July 2011.

1. Changing the calculation of a member's average monthly salary from the highest 3 years to the highest 5 years.
2. Raising the points for Normal Retirement from 80 to 85
3. Limiting a member, who terminates employment after five or more years, to a refund of only 25% of their employer's contribution.

As of April 2010 the bill is still alive and moving towards passage.

The ASRS also sought new language surrounding the "Return To Work" issue. A bill that would require an alternative contribution rate, to be paid by school districts that hire retired private contract employees, was introduced. That bill appears to be dead for this session of the legislature as of April 2010.

As a result of legislation passed in 2009 the ASRS Board created and selected a vendor for a new Supplemental Salary Deferral Program (SSDP). This will allow ASRS members to make voluntary contributions to a supplemental defined contribution plan. The ASRS selected TIAA-CREF to offer this new program.

HEALTH CARE

In 2009 ASRS accepted a bid for health care services. They chose to remain with Secure Horizons and PacifiCare both now part of United Health Care. In October ASRS had problems with the timely distribution of health care packets to members. AEA-Retired informed the ASRS Board that we were disappointed with the lack of communication with our members over this issue and expected better communication in the future. ASRS responded in a positive manner assuring AEA-Retired that lines of communication would be open and strengthened.

FORUMS AND WORKSHOPS

In November, 2009, AEA-Retired sent Steve Ramos and Richard Spitzer to the NEA Pension Benefits Forum in Washington D.C.. The annual conference educates and informs pension plan trustees, association leaders, and NEA staff. This year's forum focused on the impact of the recession on retirement security. The conference included sessions on protecting, preserving, and promoting public pensions. Participants also received an update on the outlook for health care reform as bills make there way through

the Congress. NEA continues to provide our members with great information and experienced representation for our members.

CONTRIBUTION RATES, THE PBI, AND THE 13TH CHECK

Contributions rates will rise slightly in 2010 for active members. Poor performance of ASRS investments in 2009 meant there would be no Permanent Benefit Increase or 13th check issued to members.

AWARDS AND RANKING

The Pew Center released a 2010 report ranking Arizona and the ASRS as one of the top state retirement systems in the nation. ASRS also received an award for it's Internal Performance Audit.

Submitted by,
Steve Ramos
ASRS Committee Chairman