

**MINUTES: PUBLIC MEETING  
ARIZONA STATE RETIREMENT SYSTEM  
INVESTMENT COMMITTEE**

**HELD Wednesday, March 26, 2025  
9:30 a.m.**

A quorum of the Arizona State Retirement System (ASRS) Investment Committee met in public session in the First Floor Board Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Mr. Jay Petkunas, Chairperson of the Investment Committee, called the meeting to order at 9:33 a.m.

**1. Call to Order; Roll Call; Opening Remarks**

Present: Mr. Jay Petkunas (virtually)  
Ms. Diane Landis (in-person)  
Mr. Kevin McCarthy (virtually) (left the meeting at 11:37 a.m.)

Ms. Makenzie Sikes, Committee Administrator, provided all attendees with the meeting guidelines.

**2. Consent Agenda:**

**a. Minutes of the December 18, 2024, Public Meeting of the ASRS Investment Committee (IC)**

**Motion:** Ms. Landis moved to approve the Consent Agenda. Mr. McCarthy seconded the motion.

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused, and 0 vacancies, the motion was approved. The trustee votes were as follows:

Mr. Jay Petkunas –approved  
Ms. Diane Landis – approved  
Mr. Kevin McCarthy– approved

**3. Presentation, Discussion, and Appropriate Action Regarding the Investment Market Environment, Outlook, and Independent Reporting, Monitoring, and Oversight for the period ending January 31, 2025:**

Ms. Rose Dean, NEPC, discussed the current economic and investment environment and reported on monitoring Investment Management Division asset class activities. Ms. Dean presented the investment objectives and commodity and equity markets. Ms. Dean presented information on fund, market, and benchmark performance; a summary was also given on monitoring, oversight, and compliance. Ms. Dean presented the investment objectives, clarifying that those deemed partially met were only partially met during the shorter periods and were met during various more extended periods. Ms. Dean noted that the portfolio is being implemented according to objectives.

Mr. Jay Petkunas asked questions regarding benchmark performance and target allocations. A discussion ensued to clarify.

Discussion Participants: Mr. Jay Petkunas and Ms. Rose Dean

#### **4. Presentation, Discussion, and Appropriate Action Regarding the Current Asset Liability Study.**

Mr. Paul Matson, Executive Director, presented information and materials regarding the background and objectives of the asset liability study. The ASRS performs an asset liability study typically every 3-4 years to determine a strategic view as to how the portfolio should be structured. Mr. Matson explained the purpose of the study, detailing portfolio optimization and performance. The expected outcomes of this study included the objectives to:

1. Maximize the long-term average investment rate of return to minimize the long-term average contribution rate, subject to prudent risk levels.
2. Mitigate contribution rate volatility.
3. Achieve long-term full funding.
4. Ensure both short- and long-term liquidity.

Mr. Matson indicated that the key inputs, which change through time, are:

- a. Expected rates of return going forward.
- b. The standard deviation of movement of the assets.
- c. Correlation or co-movement of those assets in the portfolio.

Mr. Matson further detailed the effect on contribution rates, the construction of the investment portfolio, and the differences in capital market return expectations between staff, NEPC, and the ASRS actuary. Mr. Matson then explained in detail the differences between the current NEPC and ASRS staff assumption sets, focusing on the differences between NEPC and ASRS staff with respect to public rates of returns. Mr. Matson shared the outcome of the presentation, citing modest recommended changes in asset class allocation and benchmarks.

Ms. Dean introduced Mr. Robert Goldthorpe, NEPC. She presented information and materials regarding the asset allocation recommendation, including the projected increase of benefit payments, the actuarial value of assets and accrued liability, funded status, and the market value ratios. Ms. Dean presented information on liability statistics, policy allocation, and projected returns. She offered further information on capital market assumptions, current market valuations, and assumptions and methodology.

Mr. Goldthorpe presented information on return earnings and growth over a 10-year and a 30-year period, as well as information on projections, assumptions, and funded ratio volatility and outcomes. He presented further information on contribution and smoothing rates, going into detail regarding cash flow and expectation basis, in addition to information on the status of the funds and contributions over time.

Mr. Petkunas asked questions regarding the adjustment of contribution rates and realized rates of returns. Mr. Petkunas also asked questions related to actuarial rates of return, actuarial valuations, market values, net cash flow, performance over time, percentile outcomes, and portfolio allocations. Discussions ensued to discuss and clarify.

Ms. Landis asked if expected asset class returns and expected asset class return differentials would logically lead to an asset allocation outcome with a higher allocation to bonds. A discussion ensued to discuss and clarify.

Discussion participants: Mr. Jay Petkunas, Mr. Paul Matson, Mr. Samer Ghaddar, Mr. Michael Viteri, Ms. Rose Dean, Mr. Robert Goldthorpe

**Motion:** Ms. Landis moved that the Investment Committee Recommend to the Board the ASRS Staff-Recommended Asset Allocations, Benchmarks, and Implementation Date as follows:

- Public Equity allocation of 44% with a range of 34% - 54% with a benchmark of the MSCI ACWI IMI Net USA Gross
- Private Equity allocation of 13% with a range of 10% - 15% with a benchmark of the MSCI PE North America & Europe quarter lag
- Credit allocation of 22% with a range of 17% - 26% with a benchmark of the MCSI Private Credit U.S. & Western Europe quarter lag
- Interest Rate Sensitive allocation of 6% with a range of 3% - 12% with a benchmark of the Bloomberg Treasury Index
- Private Real Estate allocation of 15% with a range of 11% - 19% with a benchmark of the NCREIF ODCE Index quarter lag

With an implementation date of July 1, 2025, or another date as determined by the ASRS Executive Director based upon investment market conditions and implementation practicalities.

Mr. McCarthy seconded the motion.

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 0 excused, and 0 vacancies, the motion was approved. The trustee votes were as follows:

Mr. Jay Petkunas –approved  
Ms. Diane Landis – approved  
Mr. Kevin McCarthy– approved

*Mr. Kevin McCarthy left the meeting at 11:37 a.m.*

## **5. Presentation, Discussion, and Appropriate Action Regarding the Asset Class Investment Reports and Preliminary Total Fund Investment Performance for the Period Ending December 31, 2024:**

- Public Equity:** Mr. Cole Smith, Senior Public Equity Portfolio Manager, presented information and materials, including a summary of the ASRS public equity asset class, the portfolio management strategy, the development of portfolio holdings, and the asset class' past and present performance and plans. Mr. Smith presented information on the progress of managing said asset class by tracking errors and enhanced indexing. Mr. Smith presented further information on market equities, benchmark comparisons, portfolio holdings, and future projections.

Mr. Jay Petkunas asked a question regarding house views. A discussion ensued to clarify.

Discussion participants: Mr. Jay Petkunas and Mr. Cole Smith

- b. **Private Equity:** Mr. Samer Ghaddar, Deputy Chief Investment Officer, provided an overview of private equity market conditions, portfolio performance, valuations, capital market trends, returns, and recent as well as anticipated activities. He also discussed cash flows, interest rates, and distributions.

Mr. Jay Petkunas inquired about the co-investment program, specifically regarding deal selection compared to fund commitments. A discussion ensued for further clarification.

Discussion Participants: Mr. Jay Petkunas and Mr. Samer Ghaddar

- c. **Real Estate:** Mr. Micheal Copeland, Private Markets Portfolio Manager, presented information and materials regarding the Real Estate Investment Portfolio, including the current asset allocation, benchmark outcome, debt availability, capital market and quarterly performance, and cap rate compressions.

Mr. Jay Petkunas asked a question regarding portfolio division and valuations. A discussion ensued to clarify.

Discussion Participants: Mr. Jay Petkunas and Mr. Micheal Copeland

- d. **Credit:** Mr. Al Alaimo, Deputy Chief Investment Officer, presented information and materials, including the past performance of the ASRS credit asset class, the current approved allocation and benchmarks, the current performance and positioning of the asset class, and the opportunities in the private market. Mr. Alaimo presented information on a private credit benchmark, private and distressed debt, and long-term investment opportunities and performance.

Mr. Jay Petkunas asked a question regarding benchmark comparison, real estate credit, equity, and potential rate deflation. A discussion ensued to clarify.

Discussion participants: Mr. Jay Petkunas and Mr. Al Alaimo

- e. **Interest Rate Sensitive:** Mr. John Trusiak, Fixed Income Portfolio Manager, presented information and materials pertaining to performance over the one-year, 3-year, and 5-year periods. Mr. Trusiak presented information on interest rate-sensitive assets and investment-grade corporate bonds, including current and projected performance, asset allocation targets, internally and externally managed accounts, and custom benchmarks.

- f. **Preliminary Total Fund Performance:** Mr. Michael Viteri presented information and materials regarding total fund performance for the period ending December 31, 2024.

## 6. Presentation, Discussion, and Appropriate Action Regarding Risk Analysis and Investment Compliance:

- a. **Risk Analysis:** Mr. Robert Butler, Investment Risk & Compliance Officer, presented information and materials on the ASRS asset class correlation and contribution to volatility, diversification of investments, and the building of a multiple asset portfolio. Mr. Butler presented information about private and public asset managers, the public market's top 20 global issuers, and the most significant external manager concentrations.

- b. Investment Compliance:** Mr. Robert Butler presented information and materials regarding the internally managed portfolio's pre-trade compliance system, the custody bank's investment compliance program, and the private markets investment compliance program. All compliance review periods have been completed for 2022, with RCLCO currently performing compliance reviews for 2023. There were no exceptions in the internally managed portfolio pre-trade compliance system. The Meketa Investment Group - Commingled Funds & Non-Real Estate Separate Accounts Investment Compliance Review is nearing completion for 2020 and 2021 reviews.

**7. Call to the Public.**

No members of the public requested to address the Committee.

**8. Request for Future Agenda Items.**

None were requested.

**9. The next ASRS Investment Committee Meeting is scheduled for June 25, 2025, at 9:30 a.m.**

Mr. Jay Petkunas noted that the next Investment Committee meeting is scheduled for June 25, 2025, at 9:30 a.m.

**10. Adjournment of the ASRS Investment Committee Meeting:**

Mr. Jay Petkunas adjourned the meeting at 12:35 p.m.

Respectfully submitted by:

Makenzie Sikes  
Investment Committee Administrator  
ARIZONA STATE RETIREMENT SYSTEM