

MINUTES: PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

HELD Thursday, May 22, 2025, 9:00 AM

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

Mr. René Guillen, Chair of the ASRS Board, called the meeting to order at 9:02 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. René Guillen, Chairperson
Mr. Michael Miller, Vice-chairperson
Mr. Jay Petkunas (virtually)
Ms. Diane Landis
Ms. Ashley Retsinas (virtually)
Ms. Sarah Webber

Excused: Mr. Kevin McCarthy

A quorum was present for the purpose of conducting business.

Ms. Abigail Cisneros, ASRS Board Administrator, provided all attendees with meeting guidelines.

2. Approval of the Consent Agenda:

- a. Minutes of the February 27, 2025, Public Meeting of the ASRS Board
- b. Fiscal Years 2026 and 2027 Audit Plan

Motion: Mr. Michael Miller moved to approve the Consent Agenda. Ms. Sarah Webber seconded the motion.

By a roll call vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused, and 2 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. René Guillen – approved
Mr. Michael Miller – approved
Ms. Diane Landis - approved
Mr. Kevin McCarthy – excused
Mr. Jay Petkunas – approved
Ms. Ashley Retsinas – approved
Ms. Sarah Webber – approved

3. Presentation, Discussion, and Appropriate Action Regarding the ASRS 2025 Legislative and Rulemaking, including:

- a. Rulemaking Update
- b. Legislative Update

Ms. Jessica Thomas, Government Relations Officer, provided an update on the ASRS 2025 Regulatory Agenda. Four of the five rulemakings are being worked on with a request for approval from the Governor to begin working on the fifth rulemaking by the end of the month.

Ms. Thomas reported on the five Legislative Initiatives: HB2034 – Supplemental Deferred Compensation, HB2035 – Termination Incentive Program, HB2036 – Civilian Reservist Emergency Workforce Act, HB2077 – Long-Term Disability, and HB2335 – Return to Work (RTW).

The first four bills have passed through their first and second chambers and await a third read vote in the Senate. The fifth bill regarding RTW has been postponed for this session.

Ms. Thomas indicated she would continue to monitor these bills and would report back to the Board of any issues and impact on the ASRS.

Ms. Thomas stated that Senate Bill 1221, requiring divestment from companies controlled by the People's Republic of China, was signed into law on May 12th.

Mr. Miller asked to clarify that Senate Bill 1221 had already been signed by the governor and that there was no impact to the ASRS. A discussion ensued to clarify.

Mr. Guillen asked for clarification on Senate Bill 2335 related to RTW. A discussion ensued to clarify.

Discussion Participants: Mr. Rene Guillen, Mr. Michael Miller, and Ms. Jessica Thomas

4. Presentation, Discussion, and Appropriate Action Regarding NEPC Investment Reporting – Executive Summary of the Investment Committee Presentation:

- a. Market Environment Outlook Q1 2025
- b. Independent Reporting Q4 2024

Ms. Rose Dean, NEPC, presented the Q4 2024 investment performance report, discussed the current economic and investment environment, and reported on monitoring Investment Management Division asset class activities.

Ms. Dean reported on the value the ASRS portfolio reached at the end of 2024, with private equity and real estate showing short-term underperformance but long-term alignment with benchmarks.

Ms. Dean stated that the recommendations included changing benchmarks for private equity and credit to peer universe benchmarks to better reflect private market dynamics.

Discussion Participants: Mr. Rene Guillen, Mr. Michael Miller, and Ms. Rose Dean

5. Presentation, Discussion, and Appropriate Action Regarding the ASRS Investment Program – Executive Summary of the Investment Committee Presentation

Mr. Michael Viteri, Chief Investment Officer, provided updates on public and private equity, real estate, credit, and interest rate-sensitive investments.

Public equity showed improved five-year performance, while private equity faced challenges due to frozen IPO and M&A markets. Real estate outperformed benchmarks but faced negative returns due to COVID-era impacts. Credit remained a steady performer, with consistent returns exceeding benchmarks. Interest rate-sensitive assets managed internally showed strong performance.

6. Presentation, Discussion, and Appropriate Action Regarding Risk Analysis and Investment Compliance – Executive Summary of the Investment Committee Presentation:

- a. Risk Analysis
- b. Investment Compliance

Mr. Robert Butler, Investment Risk and Compliance Officer, presented an executive summary of information and materials on the ASRS asset class correlation and contribution to volatility, hypothetical stress test scenarios, and the largest external manager concentration.

The largest external managers were identified, with ASRS managing 32% of the portfolio internally. Compliance functions reported no red flags or concerns in public or private markets.

Mr. Guillen asked a clarifying question on Hypothetical Stress Testing Historical Scenarios. A discussion ensued to clarify.

Mr. Guillen asked a clarifying question on Warren Buffett's retirement announcement due to the exposure to the Berkshire Hathaway stock and if there were any ripple effects. A discussion ensued to clarify.

Discussion Participants: Mr. Rene Guillen, Mr. Robert Butler, and Mr. Michael Viteri

7. Presentation, Discussion, and Appropriate Action Regarding the Current Asset Liability Study

Mr. Paul Matson provided a preamble. Mr. Matson stated that the study was conducted earlier than usual to address market conditions. Inputs are provided jointly by staff and the external consultant, NEPC, with NEPC conducting the analytics. NEPC reports to the board, which enables the Board to be provided with potentially different views. Mr. Matson clarified that the purpose of this discussion is not to determine the discount rate of 7% that the actuary will use, but rather the capital market assumptions that ASRS investment staff and the independent consultant believe are appropriate for constructing the investment portfolio to optimize the risk and return tradeoff. Differences between realized returns and the actuarial discount rate will impact contribution rates as they are amortized through time.

Mr. Miller and Mr. Guillen thanked Mr. Matson for the clarification summary.

Mr. Matson turned the presentation over to Ms. Dean, NEPC, to present the asset liability study recommendations. Ms. Dean announced that Mr. Rob Goldthorpe, NEPC colleague, was online should there be any questions regarding liability data that is received from the actuaries.

Modest changes were recommended: increasing private equity allocation by 3%, reducing real estate by 2%, and reducing private credit by 1%. Benchmarks for private equity and credit were recommended to shift to private market peer benchmarks with a one-quarter lag. NEPC and ASRS assumptions were compared, with ASRS projecting slightly higher returns due to portfolio construction.

Mr. Guillen clarified that this is more evolution than revolution, as these are not drastic changes being made.

Ms. Webber asked for clarification on the one-quarter lag. A discussion ensued to clarify.

Mr. Guillen thanked NEPC, ASRS staff, Trustee Petkunas, and the Investment Committee for conducting the asset liability study ahead of schedule.

Mr. Petkunas commented on his experience of being part of the asset liability study.

Mr. Miller gave thanks for the two presentations and complimented the presenters on making the material understandable.

Discussion Participants: Mr. Rene Guillen, Mr. Michael Miller, Mr. Jay Petkunas, Ms. Sarah Webber, Mr. Paul Matson, Ms. Rose Dean

Motion: Mr. Michael Miller moved to accept the Investment Committee and Staff's recommendation and approve the 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 & Western Europe quarter lag
- Credit allocation of 22% with a range of 17% - 26% with a benchmark of the MSCI 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.

Ms. Diane Landis seconded the motion. [Mr. Matson clarified spelling error in Motion: MSCI not MCS]

By a roll call vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused, and 2 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. René Guillen – approved
Mr. Michael Miller – approved
Ms. Diane Landis - approved
Mr. Kevin McCarthy – excused
Mr. Jay Petkunas – approved
Ms. Ashley Retsinas – approved
Ms. Sarah Webber – approved

8. Presentation, Discussion, and Appropriate Action Regarding the Annual Report for the Contribution Prepayment Program (CPP)

Ms. Erica Syring, Chief Financial Officer, Financial & Employer Services Division, provided an update on the Contribution Prepayment Program (CPP), in which three employers participate. The program allows employers to prepay pension contributions, earning investment returns and providing budgetary flexibility during financial crises.

Mr. Miller asked about Gilbert Public Schools' contribution and their funding source. Mr. Matson explained one of the program's design features was to provide a financial buffer during crises and noted that another county was considering participation.

Mr. Guillen and Mr. Miller expressed interest in promoting the program to other employers.

Discussion Participants: Mr. Rene Guillen, Mr. Michael Miller, Ms. Erica Syring, and Mr. Paul Matson

9. Presentation, Discussion, and Appropriate Action Regarding Fiduciary Education

Due to time constraints, Mr. Guillen announced that this Agenda Item would be moved to a future Board Meeting.

10. Summary of Current Events

Mr. Matson had no additional comments.

Mr. Miller and Mr. Guillen positively commented on the ASRS Building Lobby remodel.

11. Supplemental Operations Reports for Possible Presentation, Discussion, and Appropriate Action

- a. **2025 Operations Report**
- b. **2025 Budget and Staffing Reports**
- c. **2025 Cash Flow Statements**
- d. **2025 Appeals Report**
- e. **2025 Employers Reporting**
- f. **2025 Q1 Travel Report**

Mr. Matson had no comments but offered to answer any questions. There were no additional comments from the Trustees.

12. Presentation, Discussion, and Appropriate Action Regarding Board Elections of Chair and Vice-chair for Fiscal Year Beginning July 1, 2025

Motion: Mr. Rene Guillen moved to approve Mr. Michael Miller as the Board Chairperson for the Fiscal Year Beginning July 1, 2025. Ms. Diane Landis seconded the motion.

By a roll call vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused, and 2 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. René Guillen – approved
Mr. Michael Miller – approved
Ms. Diane Landis - approved
Mr. Kevin McCarthy – excused
Mr. Jay Petkunas – approved
Ms. Ashley Retsinas – approved
Ms. Sarah Webber – approved

Motion: Mr. Michael Miller moved to approve Ms. Sarah Webber as the Vice-chairperson for the Fiscal Year Beginning July 1, 2025. Ms. Diane Landis seconded the motion.

By a roll call vote of 6 in favor, 0 opposed, 0 abstentions, 1 excused, and 2 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. René Guillen – approved
Mr. Michael Miller – approved
Ms. Diane Landis - approved
Mr. Kevin McCarthy – excused
Mr. Jay Petkunas – approved
Ms. Ashley Retsinas – approved
Ms. Sarah Webber – approved

13. Board Member or Executive Director Requests for Future Board Agenda Items

No requests were made.

14. Call to the Public

No one from the public requested to address the Board.

15. The next regular public ASRS Board meeting is scheduled for Thursday, August 28, 2025, at 9:00 a.m.

Mr. Guillen announced that the next public ASRS Board meeting is scheduled to begin at 9:00 a.m. on Thursday, August 28, 2025.

16. Presentation, Discussion, and Appropriate Action Regarding the 2024 Review and Employment Agreement of the Executive Director of the ASRS

Mr. Guillen announced that this Agenda Item would be moved to the next scheduled Board Meeting.

17. Adjournment of the ASRS Board

Mr. Guillen adjourned the May 22, 2025, ASRS Board meeting at 10:38 a.m.

Respectfully Submitted by:

Abigail Cisneros
Board Administrator
ARIZONA STATE RETIREMENT SYSTEM