

## MINUTES: PUBLIC MEETING ARIZONA STATE RETIREMENT SYSTEM BOARD

**HELD Thursday, August 28, 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. Michael Miller, Chair of the ASRS Board, called the meeting to order at 9:01 a.m.

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

Present: Mr. Michael Miller, Chairperson  
Ms. Sarah Webber, Vice-chairperson  
Mr. Tom Connelly  
Dr. Chuck Essigs  
Mr. Rene Guillen (virtually) (joined the meeting in person at 09:19 AM)  
Ms. Diane Landis (virtually)  
Mr. Jay Petkunas (virtually)

Excused: Ms. Ashley DiMaggio Ruiz  
Mr. Kevin McCarthy

A quorum was present for the purpose of conducting business.

Ms. Melanie Alexander, ASRS Board Administrator, provided all attendees with meeting guidelines.

Mr. Michael Miller, Chairperson, provided opening remarks and introduced Dr. Chuck Essigs and Mr. Tom Connelly as new Trustees on the ASRS Board.

Mr. Paul Matson provided a summary of Dr. Essigs' and Mr. Connelly's backgrounds.

*Note: There was a momentary audio issue with two trustees at approximately 09:02 a.m. Issue was resolved at approximately 09:06 a.m. with one trustee. The second trustee's audio was fixed on Agenda Item #2, at approximately 09:12 a.m.*

## 2. Approval of the Consent Agenda:

### a. Minutes of the May 22, 2025, Public Meeting of the ASRS Board

**Motion:** Ms. Sarah Webber moved to approve the Consent Agenda. Mr. Tom Connelly seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, 2 excused, and 0 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. Michael Miller – approved  
Ms. Sarah Webber – approved  
Mr. Tom Connelly – approved  
Ms. Ashley DiMaggio Ruiz – excused  
Mr. Chuck Essigs – approved  
Mr. Rene Guillen – approved  
Ms. Diane Landis – approved  
Mr. Kevin McCarthy – excused  
Mr. Jay Petkunas – approved

## 3. Presentation, Discussion, and Appropriate Action Regarding the ASRS 2025 Legislative Summary.

Ms. Jessica Thomas, Government Relations Officer and Rules Writer, presented the ASRS 2025 Legislative Summary. 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

ASRS bills signed into law and effective September 26, 2025:

- HB2034 – Supplemental Deferred Compensation
- HB2035 – Termination Incentive Program
- HB2036 – Civilian Reservist Emergency Workforce Act
- HB2077 – Long-Term Disability

Ms. Thomas stated House Bill 2335 was held to allow engagement with stakeholders to ensure compliance with federal law and ensure we are still providing benefits to our members.

Ms. Thomas stated that other non-ASRS initiatives were pursued but did not pass.

Mr. Miller commended Ms. Thomas for her work with the legislature.

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- 4. Presentation, Discussion, and Appropriate Action Regarding the CEM Pension Administration Benchmarking-Related Topics, Including:**
- a. Operational Performance of the ASRS as Measured by the CEM Pension Administration Benchmarking Survey**
  - b. Discussion of Global Pension Administration Trends**

Mr. Jeremiah Scott, Deputy Director & Chief Operations Officer, introduced Mr. Christopher Doll, CEM, Ms. Erica Webb, Benchmarking Administrator, and Ms. Katie Daigneault, Chief Strategy Officer.

Mr. Doll presented ASRS's annual performance results, noting a high service score of 91, which is 10 points above the peer median, and a low cost per member of \$75, or \$49 below the peer average. ASRS was ranked in the top-left quadrant of the cost-effectiveness chart, indicating high service and low cost, and was the highest performing among all peers.

In the Retiring Member Experience, ASRS scored 95, with strong performance in targeted outreach, pension estimates, and streamlined applications; the only opportunity identified was expanding online access to salary and service credit data, which is already planned for FY25.

The Annuitant Experience scored 94, with no areas for improvement noted and continued strength in self-service tools and secure communication. ASRS leads in digital engagement with an 88% digital reach, and while call complexity has increased, the plan continues to maintain low wait times and strong first-call resolution.

Mr. Doll also highlighted ASRS's forward-looking IT strategy and higher-than-average investment in cybersecurity, reinforcing its position as a top-performing, cost-effective pension plan.

Ms. Webb provided an internal analysis of the CEM report, emphasizing how the ASRS uses this data to guide management decisions and improvements.

She highlighted the breakdown of the overall service score of 91 across different member journeys and how CEM weights these journeys, particularly noting the importance of the retiring member experience.

Ms. Webb pointed out that call center and website service scores are critical benchmarks because they represent the highest member touchpoints.

She also reviewed ASRS's cost distribution, noting that while IT security costs are higher than peers, ASRS distributes IT spending more evenly across activities and feels confident in its security investments.

Ms. Webb underscored the importance of balancing high service levels with maintaining low costs, explaining that lower costs benefit members by keeping contribution rates down and allowing for competitive staff compensation. Finally, she stressed that engaging and rewarding staff is key to sustaining high service scores.

Ms. Daigneault, Mr. Doll, Mr. Matson, Mr. Scott, and Ms. Webb responded to questions from Mr. Connelly, Mr. Guillen, Mr. Miller, and Ms. Webber regarding topics ranging from total spend on technology such as technical debt, clarification on 41 second wait time, how 67% of the ASRS peers send paper member statements, how to maintain the score level the ASRS is at, transcription software that is trained to know what is being talked about in terms of the pension world, based on global trends, and if there is more acceptance of web-based technologies being discussed in the larger universe.

Discussion Participants: Mr. Tom Connelly, Mr. Rene Guillen, Mr. Michael Miller, Ms. Sarah Webber, Mr. Paul Matson, Ms. Katie Daigneault, Mr. Jeremiah Scott, Ms. Erica Webb, & Mr. Christopher Doll

## **5. Presentation, Discussion, and Appropriate Action Regarding the 2024 ADOA/ASRS Employee Engagement Survey Results.**

Mr. Scott introduced Ms. Webb and Ms. Jana George, Sr. Human Resources Analyst, and then handed the presentation over to Ms. Webb and Ms. George.

Ms. Webb presented the 2025 ADOA/ASRS Employee Engagement Survey Results. She explained the purpose of the survey and how the staff feels engaged with their employer. The ASRS scores exceeded the state's overall scores. Staff participation in the survey showed an 88% engagement score, exceeding the state average of 76%. Participation was 89%, compared to the state average of 69%.

The ASRS has 13 agency-specific questions in the survey, and every division within the agency met or exceeded the agency goal. Staff feel supported, understand what is expected of them, and agree that their team, supervisor, and program manager display the PRIDE Values determined by the ASRS. Staff feel their work is critical to achieving agency goals and are recognized for their efforts. Areas in which the ASRS can improve and excel were presented.

Ms. Webb highlighted the remote work concern employees had because the survey was proctored around the time there was an open Bill in the House and Senate with a call to return to the office, and she believed there was a direct correlation to the comments in the survey.

Ms. Webb also stated that another theme emerged in the commentary regarding compensation levels not keeping pace with the rising cost of living. This theme is common in talks with other state agencies.

Mr. Guillen praised the high engagement scores and the agency's commitment to continuous improvement.

Ms. Webber asked if ADOA provided how the Agency performs overall. A discussion ensued.

Mr. Miller commends the Agency for continuous improvement.

Discussion Participants: Mr. Rene Guillen, Mr. Michael Miller, Ms. Sarah Webber, Ms. Katie Daigneault, and Ms. Erica Webb

**6. Presentation, Discussion, and Appropriate Action Regarding the ASRS Budget-Related Topics, Including:**

- a. The ASRS Appropriated and Continuously Appropriated Spending Plans for Fiscal Year (FY) 2026**
- b. The ASRS Appropriated and Continuously Appropriated Budget Request and Spending Plans for FY 2027**

Ms. Martha Rozen, Chief of Administrative Services, turned it over to Ms. Athena Elliston, Budget and Procurement Manager, who commended Mr. Jeremy Gunderson, Budget Manager, for all of his work on this budget. She noted that this will be the third year in a row that there will be a budget request without an increase to spending, and that the ASRS will be continuing its focus on hiring and retaining exceptional employees, collaboration with division chiefs, and continuous security improvements made while maintaining the budget.

Mr. Gunderson presented the administrative portion of both spending plans. Fiscal Year (FY) 2026 includes a \$37.9 million spending plan, an increase above what was presented at OALC due to the FY 2026 spending Bill that the Legislature just passed. The plan includes increases for health insurance costs, continuously appropriated costs, and security and IT development projects. FY27 consists of a \$28.9 million spending plan with no request for budget increases. The plan includes resources to retain current staff and IT development projects.

Mr. James Samolowicz, Senior Investments Operations Analyst, presented the investment spending plans, highlighting portfolio growth in private assets and stable operational costs. He noted the most significant portion of the spend will be related to the external management of the investment portfolios.

Mr. Miller commended the team for their hard work and presentation on the budget plan.

**Motion for agenda item 6.a.:** Ms. Sarah Webber moved to approve the following:

1. The proposed updated administrative spending plan of \$37,911,700<sup>1/</sup> for FY 2026, which includes the legislative and executive statewide adjustments and the updated continuously appropriated investment spending plan of \$289,335,000 for FY 2026, subject to revised management projections, and to include private markets performance incentives and other fees when identified and paid.

Mr. Tom Connelly seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, 2 excused, and 0 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. Michael Miller – approved  
Ms. Sarah Webber – approved  
Mr. Tom Connelly – approved  
Ms. Ashley DiMaggio Ruiz – excused  
Dr. Chuck Essigs – approved  
Mr. Rene Guillen – approved  
Ms. Diane Landis – approved  
Mr. Kevin McCarthy – excused  
Mr. Jay Petkunas – approved

**Motion for agenda item 6.b.:** Ms. Sarah Webber moved to approve the following:

- 1) An appropriated budget request for FY 2027 in the amount of \$28,966,100<sup>1/</sup>, with an understanding there will be changes to the total appropriated budget amount due to legislative and executive recommendations.
- 2) The proposed administrative spending plan of \$38,237,100<sup>1/</sup> and continuously appropriated investment spending plan of \$302,833,000 for FY 2027, subject to revised management projections, and to include private markets performance incentives and other fees when identified and paid. Mr. Jay Petkunas seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, 2 excused, and 0 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. Michael Miller – approved  
Ms. Sarah Webber – approved  
Mr. Tom Connelly – approved  
Ms. Ashley DiMaggio Ruiz – excused  
Dr. Chuck Essigs – approved  
Mr. Rene Guillen – approved  
Ms. Diane Landis – approved  
Mr. Kevin McCarthy – excused  
Mr. Jay Petkunas – approved

[<sup>1/</sup> The total FY 2026 and FY 2027 administrative spending plans include an additional \$102,700 above the amount presented to OALC on July 30 for statewide adjustments related to health insurance, risk management, retirement and technology fees.]

## **7. Presentation, Discussion, and Appropriate Action with Regard to the Actuarial Experience Study for the Period Ending June 30, 2024.**

Mr. Paul Wood and Mr. Daniel White, GRS, presented the results of the experience study, a regularly scheduled review of the assumptions and methods used in actuarial evaluation.

Mr. Wood explained that the Permanent Benefit Increase (PBI) is triggered when excess earnings exceed 8%, using the 10-year actual return as a proxy. Although the assumed return is 7%, volatility—not just the average return—is the primary factor determining whether PBIs are paid. After modeling various volatility scenarios, he recommended maintaining the current 0.3% PBI assumption. He noted that the PBI reserve strategy, introduced in 2017, has helped smooth contribution rates by holding back gains during non-payment years, currently amounting to approximately 1% of liabilities.

Mr. White reported that salary increase assumptions were revised upward due to recent inflation-driven pay spikes, which are viewed as short-term anomalies. The long-term service-based salary scale was adjusted modestly, representing the most significant cost increase in the study. Payroll growth assumptions were also increased from 2.7% to 2.85%, reflecting Arizona's active membership growth and broader economic trends.

Mr. White reviewed demographic assumptions, noting no major changes except for a reduction in disability rates, reflecting long-term trends. He mentioned minor adjustments to Long-Term Disability (LTD) cost assumptions that largely offset each other, resulting in a slight expected decrease in LTD contribution rates.

Overall, the impact of all assumption changes is minimal: the funded ratio declined slightly from 74% to 73.7%, and the estimated contribution rate increased marginally from 11.86% to approximately 12.03%. He emphasized that the projected date of full funding remains unchanged due to the strong funding policy in place and that a phase-in of contribution rate changes is unlikely unless the upcoming 2025 valuation reveals significant deviations.

The valuation results will be presented at the November Board meeting.

Mr. White, Mr. Matson, and Mr. Wood responded to questions from Mr. Connelly, Mr. Guillen, and Mr. Miller regarding topics including discussions of inflation estimates and the TIP bond markets for the 20-year bond market; how the 10-year annual geometric return is related to the 10-year actuarial return; increasing contributions and retirement liabilities; how behavior matters with respect to service based terminations; contribution rate smoothing options; and if any actuarial methods or assumptions are expected to be modified at an OALC meeting or the November Board meeting.

Discussion Participants: Mr. Tom Connelly, Mr. Rene Guillen, Mr. Michael Miller, Mr. Paul Matson, Mr. Daniel Green, and Mr. Paul Wood

**Motion for agenda item 7:** Ms. Sarah Webber moved to approve the following:

1. The adoption of the experience study and recommendations, and the resulting changes in assumptions as presented by GRS on Page 61 of 243 to 94 of 243 of the Board Packet, titled Arizona State Retirement System 2025 Experience Study, to be effective with the June 30, 2025 valuations for the Arizona State Retirement System Pension Plan (401a), the Health Insurance Premium Benefits Program (401h), the Long-Term Disability Program, and the System actuarial experience study recommendations as stated.

Dr. Chuck Essigs seconded the motion.

By a roll call vote of 7 in favor, 0 opposed, 0 abstentions, 2 excused, and 0 vacancies, the motion was approved.

The Trustee votes were as follows:

Mr. Michael Miller – approved  
Ms. Sarah Webber – approved  
Mr. Tom Connelly – approved  
Ms. Ashley DiMaggio Ruiz – excused  
Dr. Chuck Essigs – approved  
Mr. Rene Guillen – approved  
Ms. Diane Landis – approved  
Mr. Kevin McCarthy – excused  
Mr. Jay Petkunas – approved

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

**a. Market Environment Outlook Q2 2025**  
**b. Independent Reporting Q1 2025**

Ms. Rose Dean, NEPC, presented the Q1 2025 investment performance report, discussed the current economic and investment environment, and reported on monitoring Investment Management Division asset class activities.

Ms. Dean reported the quarter began with a market sell-off due to geopolitical events but rebounded strongly, with U.S. markets reaching new highs and international equities benefiting from U.S. dollar weakness. Despite short-term underperformance in private equity and credit relative to public benchmarks, longer-term performance remains strong, with the total fund outperforming its policy benchmark across 3-, 7-, and 10-year periods. Risk-adjusted returns also ranked highly among peers, with notably low portfolio volatility. New asset class benchmarks and allocations approved in April will better align with private market characteristics going forward.

Ms. Dean stated that there were no recommendations from NEPC.

**9. 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 delivered strong absolute and relative performance across virtually all time periods ending June 30, 2025. Within Public Equity, U.S. holdings—representing 66% of the public equity portfolio—were a primary contributor to returns. Following recent board approved changes to the strategic asset allocation, updated private market pacing studies for private equity, credit, and real estate were performed to guide commitments and sustain target exposures. Effective July 1, 2025, new peer relative benchmarks will replace public market benchmarks for Private Equity and Credit which better align to private market investments. As of July 30, 2025, total fund assets exceeded \$60 billion, with returns across all ending time periods surpassing actuarial return targets.

Mr. Connelly asked a question relating to net IRR. Mr. Viteri offered to meet with Mr. Connelly offline to discuss this topic in more detail.

Discussion Participants: Mr. Tom Connelly and Mr. Michael Viteri

## 10. 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.

Mr. Butler highlighted that the portfolio's diversification contributed to reduced volatility compared to a traditional 60/40 portfolio. No concerns were reported across compliance systems, including pre-trade compliance, daily custody bank reports, and private markets compliance reviews. The private markets investment compliance program continues to progress as planned.

Mr. Connelly asked a clarifying question on the private credit portfolio relative to what's in the benchmark for credit in that environment. A discussion ensued to clarify.

Discussion Participants: Mr. Tom Connelly and Mr. Robert Butler

## 11. Presentation, Discussion, and Appropriate Action Regarding Appointment of Board Committee Officers and Membership.

Mr. Miller announced Board Committee assignments as follows:

### Appeals Committee:

Chairperson: Diane Landis  
Vice-chairperson: Ashley DiMaggio Ruiz  
Member: Michael Miller

### Investment Committee:

Chairperson: Jay Petkunas  
Vice-chairperson: Tom Connelly  
Member: Diane Landis  
Member: Rene Guillen

### Operations, Audit, and Legislative Committee:

Chairperson: Sarah Webber  
Vice-chairperson: Ashley DiMaggio Ruiz  
Member: Chuck Essigs  
Member: Michael Miller

Mr. Matson made one suggestion, at the discretion of the Chairperson of the Board, that the language be "appointing" instead of "recommending".

Discussion Participants: Mr. Michael Miller and Mr. Paul Matson

## 12. Summary of Current Events.

Mr. Paul Matson, Executive Director, recognized Mr. Kevin McCarthy's service to the ASRS. Mr. Matson stated that Mr. McCarthy has been with the ASRS Board for approximately 15 and a half years and has graciously stayed on the Board during periods of Board position vacancies. He has received five gubernatorial appointments under two governors, has served on all three ASRS committees, and has held either the Chair or Vice-chair position on each of the committees. During his tenure on the Board, he has consistently demonstrated professionalism and expertise. Board members, staff, and members of the public alike have commented on the qualities that have made Mr. McCarthy invaluable to the ASRS. Over the years, Mr. McCarthy has displayed nothing other than what can be considered gentlemanly correspondence and dialogue.

Mr. Matson and staff will be presenting Mr. McCarthy with a PRIDE Award in recognition of his professionalism, expertise, and dedication. This award will be to acknowledge the time Mr. McCarthy has spent on the Board, with special acknowledgement of the time Mr. McCarthy spent as the following: Board Chairperson (June 2014 to June 2018), Chairperson of the External Affairs Committee (July 2012 to June 2014), Vice-chair of the External Affairs Committee (July 2010 to July 2012), Chairperson of the Board of Appeals Committee (August 2018 to July 2019), and Vice-chair of the Investment Committee (July 2019 to August 2025).

Mr. McCarthy corresponded with Mr. Matson to read into the record that he was honored to be associated with a first-rate agency such as the ASRS. Mr. Matson thanked Mr. McCarthy for his commitment and conveyed his gratitude for Mr. McCarthy's time of service with the ASRS Board of Trustees.

Mr. Michael Miller, Chairperson, agreed with Mr. Matson, stating that Mr. McCarthy was a mentor to him when Mr. Miller first joined the ASRS Board of Trustees. Mr. McCarthy's advice and leadership have been greatly appreciated during his time with the ASRS.

Mr. Rene Guillen, Trustee, agreed with Mr. Matson and Mr. Miller, stating that Mr. McCarthy has presented himself with nothing but kindness and efficiency. Mr. McCarthy was always one to consider the fiduciary responsibility of being a Trustee, leading with generosity, judicious knowledge, and a steadfast dedication to the betterment of the ASRS.

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

## 13. 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 Q2 Travel Report

Mr. Matson had no comments. No additional comments from the Trustees.

**14. Board Member or Executive Director Requests for Future Agenda Items.**

Ms. Sarah Webber requested a brief presentation for the New Trustees on strategic planning of the PRIDE Values, how they came to be, and how they drive the organization.

Mr. Matson agreed that the ASRS would be delighted to present this topic at a future board meeting.

Discussion Participants: Ms. Sarah Webber and Mr. Paul Matson

**15. Call to the Public.**

Mr. Miller opened the Call to the Public agenda item.

Ms. Melanie Alexander, Manager, Management Support Services, read into the record a summary of an email received from Mr. Michael Fenne, Private Equity Stakeholder Project, a nonprofit watchdog organization for the private equity industry. She summarized the email into the record and stated that the ASRS would send the email to the Trustees for review. Mr. Miller thanked her for reading the email and closed the Call to the Public.

The email submission will be attached to the minutes for the record.

**16. The next regular public ASRS Board meeting is scheduled for Thursday, November 20, 2025, at 9:00 a.m.**

Mr. Miller announced that the next public ASRS Board meeting is scheduled to begin at 9:00 a.m. on Thursday, November 20, 2025.

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

Mr. Miller moved this Agenda Item to the next scheduled Board Meeting.

**18. Adjournment of the ASRS Board.**

Mr. Miller adjourned the August 28, 2025, ASRS Board meeting at 12:38 p.m.

Respectfully Submitted by:

Abigail Cisneros  
Board Administrator  
ARIZONA STATE RETIREMENT SYSTEM