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March 26, 2026

Investment Committee



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**NOTICE AND AGENDA OF A PUBLIC MEETING
OF THE ARIZONA STATE RETIREMENT SYSTEM
INVESTMENT COMMITTEE
March 26, 2026, at 9:30 a.m.**

Pursuant to A.R.S. § 38-431.02(F), notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Investment Committee (IC) and the general public that the ASRS IC will hold a meeting open to the public on Thursday, March 26, 2026, beginning at 9:30 a.m., in the First Floor Board Room of the ASRS offices at 3300 N. Central Avenue, Phoenix, Arizona 85012. Physical access to the meeting place will be fifteen minutes before the start of the meeting.

This is a regularly scheduled meeting of the Investment Committee; however, due to possible attendance by other ASRS Board Trustees, this meeting may technically become a meeting of the Board or one of its committees. Actions taken will be consistent with Investment Committee governance procedures. Actions requiring Board authority will be presented to the full Board for final decision.

Pursuant to A.R.S. § 38-431.03(A)(3), the ASRS Investment Committee may vote to go into executive session, which will not be open to the public, for the purpose of obtaining legal advice on any item on the agenda.

The Chairperson may take public comment during any agenda item.

The following agenda topics are proposed action item(s): 2, 9

The agenda for the meeting is as follows:

- 1. **Call to Order; Roll Call; Opening Remarks.** *(Estimated time: 2 minutes)*
..... Mr. Jay Petkunas, *Chairperson, Investment Committee*
- 2. **Consent Agenda.** *(Proposed action item, estimated time: 1 minute)*
..... Mr. Jay Petkunas, *Chairperson, Investment Committee*

All items listed under the Consent Agenda are considered to be routine or have been previously reviewed by the ASRS Board or the Board Committees and may be considered for approval as a single action unless a Board Member wishes to remove an item for independent review, discussion, and possible action.

a. Minutes of December 17, 2025, Public Meeting of the Investment Committee (IC)

- 3. **Presentation, Discussion, and Appropriate Action Regarding the Investment Market Environment and Independent Investment Program Monitoring, Reporting, and Oversight for the period ending December 31, 2025.**
(Informational and discussion item; estimated time: 20 minutes) Ms. Rose Dean, *Partner, NEPC*



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4. Presentation, Discussion, and Appropriate Action Regarding the Asset Class Investment Reports and Preliminary Total Fund Investment Performance for the period ending December 31, 2025. (Informational and discussion items; estimated time: 45 minutes)

- a. Public Equity Asset Class... Mr. Michael Viteri, CIO
Mr. Samer Ghaddar, Deputy CIO
Mr. Cole Smith, Senior Public Equity Portfolio Manager
Mr. Vicente Federico, Assistant Portfolio Manager - Public Equities
Mr. Bryan Tsiao, Analyst, Public Equities
b. Interest Rate Sensitive Asset Class ... Mr. Michael Viteri, CIO
Mr. Al Alaimo, Deputy CIO
Mr. John Trusiak, Fixed Income Portfolio Manager
c. Private Equity Asset Class Implementation Plan ... Mr. Michael Viteri, CIO
Mr. Samer Ghaddar, Deputy CIO
Mr. Micheal Copeland, Private Markets Portfolio Manager
Mr. Andrew Shershenovich, Private Equity Portfolio Analyst
d. Real Estate Asset Class. Implementation Plan ... Mr. Michael Viteri, CIO
Mr. Micheal Copeland, Private Markets Portfolio Manager
Mr. Taylor Mammen, Chief Executive Officer, RCLCO Fund Advisors (RFA)
e. Credit Asset Class Implementation Plan ... Mr. Michael Viteri, CIO
Mr. Al Alaimo, Deputy CIO
f. Preliminary Total Fund Investment Performance... Mr. Michael Viteri, CIO

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

- a. Risk Analysis
b. Investment Compliance

(Informational and discussion item; estimated time: 15 minutes)

..... Mr. Robert Butler, Investment Risk and Compliance Officer
.....Mr. Michael Viteri, CIO

6. Presentation, Discussion, and Appropriate Action Regarding Methods and Processes for External Private Investment Compliance Reviews. (Informational and discussion item; estimated time: 30 minutes)

.....Mr. Robert Butler, Investment Risk and Compliance Officer
..... Mr. Michael Viteri, CIO
.....Mr. Michael Cyde, RCLCO
..... Ms. Cyndi Thomas, RCLCO
..... Mr. Matthew Perun, Meketa
.....Mr. Joe Gil, Meketa



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7. Presentation, Discussion, and Appropriate Action Regarding Securities Lending Program

(Informational and discussion item; estimated time: 25 minutes)

-Mr. Cole Smith, Senior Public Equity Portfolio Manager
.....Mr. Michael McDermott, Director, Securities Finance, BNY/Mellon
.....Mr. Michael Viteri, CIO

8. Presentation, Discussion, and Appropriate Action Regarding Private Market Benchmarks, Including Asset Class Performance Benchmarks and Opportunity Cost Benchmarks.

(Informational and discussion item; estimated time: 25 minutes)

- Mr. Michael Viteri, CIO
.....Mr. Samer Ghaddar, Deputy CIO
.....Mr. Evan Smith, Senior Performance Measurement Analyst

9. Presentation, Discussion, and Appropriate Action Regarding a Draft Revision of the Investment Compensation Program Plan. (Proposed action item; estimated time: 30minutes)

-Mr. Paul Matson, Executive Director
.....Mr. Michael Viteri, CIO

Proposed Action Item: The Committee may move to recommend that the ASRS Director arrange to consult with the Arizona Department of Administration on the Incentive Compensation Plan as discussed, and to then bring a revised Incentive Compensation Plan to the Board, provide an alternate motion, or make no motion. If there is a motion, it will be referred to the full Board for final action".

10. Summary of Current Events. (estimated time: 5 minutes)

-Mr. Jay Petkunas, Chairperson, Investment Committee
..... Trustees, Investment Committee
..... Mr. Paul Matson, Executive Director
..... Mr. Michael Viteri, CIO

11. Call to the Public..... Mr. Jay Petkunas, Chairperson, Investment Committee

If any member of the public wishes to speak, they should complete a Request to Speak Form and provide it to the Committee Administrator if attending in person. If not attending in person, public comments must be submitted at any time prior to the meeting to ASRSPublicMeetings@azasrs.gov. Commenters should submit by email their full name, affiliation (if none, indicate "member of the public"), address, phone number, email address, the specific agenda item they wish to comment on, and their comments. A summary of emailed comments will be read and kept to under three minutes. The Chairperson reserves the right to impose other constraints in the interest of maintaining an orderly meeting. Trustees are prohibited by A.R.S. § 38-431.01(H) from discussing or taking legal action on matters raised during an open Call to the Public unless the matters are properly noticed for discussion and legal action. As a result of public comment, the Trustees may respond to criticism made by those who have addressed the Board, may direct staff to review a matter, or may ask that a matter be put on a future agenda.



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

(Discussion item; estimated time: 1 minute)

- Mr. Jay Petkunas, *Chairperson, Investment Committee*
- Trustees, *Investment Committee*
- Mr. Paul Matson, *Executive Director*
- Mr. Michael Viteri, *CIO*

13. The next ASRS Investment Committee Meeting is scheduled for June 25, 2026, at 9:30 a.m.

14. Adjournment of the ASRS Investment Committee Meeting.

A copy of the background materials for this Agenda (with the exception of material relating to possible executive sessions) is also available for public inspection at the ASRS offices located at 3300 North Central Avenue, 14th Floor, Phoenix, Arizona. The agenda is subject to revision up to 24 hours prior to the meeting. These materials are also available on the ASRS website (<https://www.azasrs.gov/content/board-and-committee-meetings>) approximately 48 hours prior to the meeting. Persons with disabilities may request alternate formats of this document by contacting Tracy Darmer, ADA Coordinator, at (602) 240-5378 in Phoenix or 1-800-621-3778, ext. 5378, outside the metro Phoenix area. Requests should be made as early as possible to allow time to arrange the accommodations.

Dated March 20, 2026

ARIZONA STATE RETIREMENT SYSTEM

Signature on File
Clarissa DeCoux
Committee Administrator

Signature on File
Michael Viteri
Chief Investment Officer



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March 26, 2026

Agenda Item

1

Call to Order; Roll Call; Opening Remarks



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March 26, 2026

Agenda Item

2

Consent Agenda:

- a. Minutes of the December 17, 2025, Public Meeting of the Investment Committee (IC)



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STREET ADDRESS: 3300 North Central Avenue, Phoenix, AZ 85012
PHONE: 602.240.2000 | **TOLL FREE:** 1.800.621.3778 | **ONLINE:** AzASRS.gov

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

**HELD Wednesday, December 17, 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 9:30 a.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jay Petkunas (virtual)
 Mr. Tom Connelly (in-person)
 Ms. Diane Landis (in-person)
 Mr. Rene Guillen (excused)

Ms. Clarissa DeCoux, Committee Administrator, provided all attendees with the meeting guidelines.

2. Consent Agenda:

- a. **Minutes of October 1, 2025, Public Meeting of the ASRS Investment Committee (IC)**
- b. **The 2026 Calendar Year Investment Committee Meeting Schedule**

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

By a roll call vote of 3 in favor, 0 opposed, 0 abstentions, 1 excused, and 0 vacancies, the motion was approved. The trustee votes were as follows:

Mr. Jay Petkunas - approved
 Mr. Tom Connelly - approved
 Ms. Diane Landis - approved
 Mr. Rene Guillen - excused

3. Presentation, Discussion, and Appropriate Action Regarding the Investment Market Environment and Independent Investment Program Monitoring, Reporting, and Oversight for the period ending September 30, 2025.

Ms. Rose Dean, NEPC, discussed the current investment market environment and reported on the monitoring of the Investment Management Division asset class versus benchmarks. She presented the ASRS investment objectives and performance, along with information on funds, market conditions, earnings, performance, and the expected 20-year return. She also provided a summary on monitoring, oversight, and compliance. Ms. Dean noted that, although some objectives were only partially met, as of the fourth quarter, no action was recommended for the Investment Committee.

Mr. Jay Petkunas asked questions regarding benchmark comparisons, historical markers, clarification of the one-year return, and whether adjustments had been made to the portfolio and ODCE. Discussions ensued to provide clarification.

Mr. Tom Connelly asked a question regarding how data was reported on private equity and private credit benchmarks. Discussions ensued to provide clarification.

Discussion participants: Mr. Jay Petkunas, Mr. Tom Connelly, Mr. Samer Ghaddar, Mr. Micheal Copeland, Ms. Rose Dean

4. Presentation, Discussion, and Appropriate Action Regarding the Asset Class Investment Reports and Preliminary Total Fund Investment Performance for the period ending September 30, 2025:

- a. **Public Equity:** Mr. Cole Smith, Senior Public Equity Portfolio Manager, presented an overview of the ASRS public equity asset class, including portfolio management strategy, holdings, and performance. He reported on performance measurement improvements for internally managed portfolios and provided additional information on market equities, benchmark comparisons, indexing, global equities, and future projections. Mr. Michael Viteri introduced Mr. Samer Ghaddar, Deputy Chief Investment Officer (CIO). Mr. Ghaddar discussed how the Tactical Allocation Committee monitored portfolio exposure and emphasized the importance of positioning the portfolio defensively in anticipation of potential market disruption. Mr. Paul Matson, Executive Director, provided updates on U.S. and global equities, noting shifts in interest -rate-sensitive areas, an increased allocation to U.S. Treasuries, and a slight reduction in public equity holdings.

Mr. Tom Connelly asked for clarification on the use of specific governance metrics, or indicators that would trigger an action within the portfolio. Discussions ensued to clarify.

Discussion participants: Mr. Tom Connelly, Mr. Paul Matson, Mr. Michael Viteri, Mr. Samer Ghaddar, Mr. Cole Smith

- b. **Private Equity:** Mr. Samer Ghaddar, Deputy CIO, provided an overview of private equity market conditions and portfolio performance. He reviewed valuations, capital market trends, employment, and inflation, along with recent and anticipated activities. He also discussed interest rates and distributions.

Discussion Participants: Mr. Michael Viteri, Mr. Samer Ghaddar,

- c. **Real Estate:** Mr. Micheal Copeland, Private Markets Portfolio Manager, presented information and materials regarding the Real Estate Investment Portfolio. He reviewed current asset allocation, benchmark outcomes, return rates, debt availability, and quarterly performance. He also discussed cash flow, cap rate compression, and the differences between power shell and turnkey leases when developing data centers.

Ms. Diane Landis asked a question regarding data centers. Mr. Tom Connelly asked questions regarding real estate, public equity, and asset classes. Discussions ensued to provide clarification.

Discussion Participants: Mr. Tom Connelly, Ms. Diane Landis, Mr. Micheal Copeland



- d. **Credit:** Mr. Al Alaimo, Deputy CIO, presented information and materials on the ASRS credit asset class. His presentation included Time Weighted Returns (TWR) and Internal Rate of Returns (IRR). He reviewed past performance, the current approved allocation and benchmarks, net cash flow, and the positioning of the asset class. He also discussed opportunities in the private market.

Mr. Connelly asked clarifying questions regarding credit performance, distressed debt, dates for TWR and IIR's, and benchmarks. Mr. Petkunas asked a question regarding subscription lines. Discussions ensued to provide clarification.

Discussion participants: Mr. Jay Petkunas, Mr. Tom Connelly, Mr. Michael Viteri, Mr. Samer Ghaddar, Mr. Alaimo

- e. **Interest Rate Sensitive Asset Class:** Mr. John Trusiak, Fixed Income Portfolio Manager, presented information and materials on performance over the one-, three-, five-, and ten-year periods. He reported on interest rate-sensitive assets and investment-grade corporate bonds, including current and expected performance, asset allocation targets, internally and externally managed accounts, Federal Reserve considerations, and benchmark comparisons.

Mr. John Trusiak noted that recent changes had been implemented with some rotation into the interest -rate-sensitive asset class. He stated that at the next meeting, the committee would review an updated asset allocation, bringing this asset class closer to the SAA target.

- f. **Preliminary Total Fund Performance:** Mr. Michael Viteri presented information and materials regarding total fund performance for the period ending November 30, 2025.

INVESTMENT COMMITTEE RECESSED: 11:24 a.m.

INVESTMENT COMMITTEE RECONVENED TO PUBLIC SESSION: 11:36 a.m.

5. Presentation, Discussion, and Appropriate Action Regarding Private Benchmarks, including Asset Class Performance and Opportunity Cost Benchmarks.

Mr. Jay Petkunas, Chairperson, requested to postpone Item #5 for this meeting. If time permits, Item #5 will be addressed after Items #6 and #7. If not addressed during this session, Item #5 will be deferred and carried forward to the next meeting.

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 ASRS asset class correlations and their contribution to volatility. He reviewed diversification of investments and the construction of a multiple asset portfolio. Mr. Butler also presented information regarding private investment managers, Meketa, and hypothetical stress testing.

Mr. Jay Petkunas asked clarifying questions regarding the distinction between the 2008 Lehman collapse and the 2007–2009 subprime crisis. Discussions ensued to provide clarification.

Discussion participants: Mr. Jay Petkunas, Mr. Robert Butler



- b. **Investment Compliance:** Mr. Robert Butler, Investment Risk & Compliance Officer, 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. He also reported on monthly public and private market compliance reviews.

7. Presentation, Discussion, and Appropriate Action Regarding Fund Oversight Risk Modeling Methods and Processes.

Mr. Robert Butler, Investment Risk & Compliance Officer, introduced Mr. Chris Breckon, Executive Director, MSCI, and Mr. Jason Crisostomo, Vice President, MSCI. Mr. Breckon presented information and materials regarding the MSCI and BarraOne overview, the private equity model, asset class contributions to volatility, and hypothetical stress scenarios. Mr. Crisostomo presented information and materials on the subprime crisis, the credit crisis, and other historical scenarios.

Mr. Tom Connelly asked for clarification regarding the total risk number, correlations, and data processes for public and private allocations, as well as stress testing. Discussions ensued to provide clarification.

Discussion participants: Mr. Tom Connelly, Mr. Michael Viteri, Mr. Robert Butler, Mr. Jason Crisostomo
Mr. Chris Breckon

8. Summary of Current Events.

No additional items.

9. Call to the Public.

There were no members of the public requesting to address the committee.

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

Due to time constraints, Mr. Paul Matson, Executive Director, requested that Agenda Item #5, Discussion and Appropriate Action Regarding Private Benchmarks, including Asset Class Performance and Opportunity Cost Benchmarks, be deferred to the next Investment Committee meeting. Mr. Jay Petkunas approved the request.

11. The next ASRS Investment Committee Meeting is tentatively scheduled for March 26, 2026, at 9:30 a.m.

Mr. Jay Petkunas noted that the next Investment Committee meeting is tentatively scheduled for March 26, 2026, at 9:30 a.m.

12. Adjournment of the ASRS Investment Committee Meeting.

Mr. Jay Petkunas adjourned the meeting at 12:16 p.m.

Respectfully submitted by:

Clarissa DeCoux
Investment Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM



March 26, 2026

Agenda Item

3

Investment Market Environment and Independent Investment Program Monitoring, Reporting, and Oversight for the period ending December 31, 2025.



INVESTMENT MARKET ENVIRONMENT

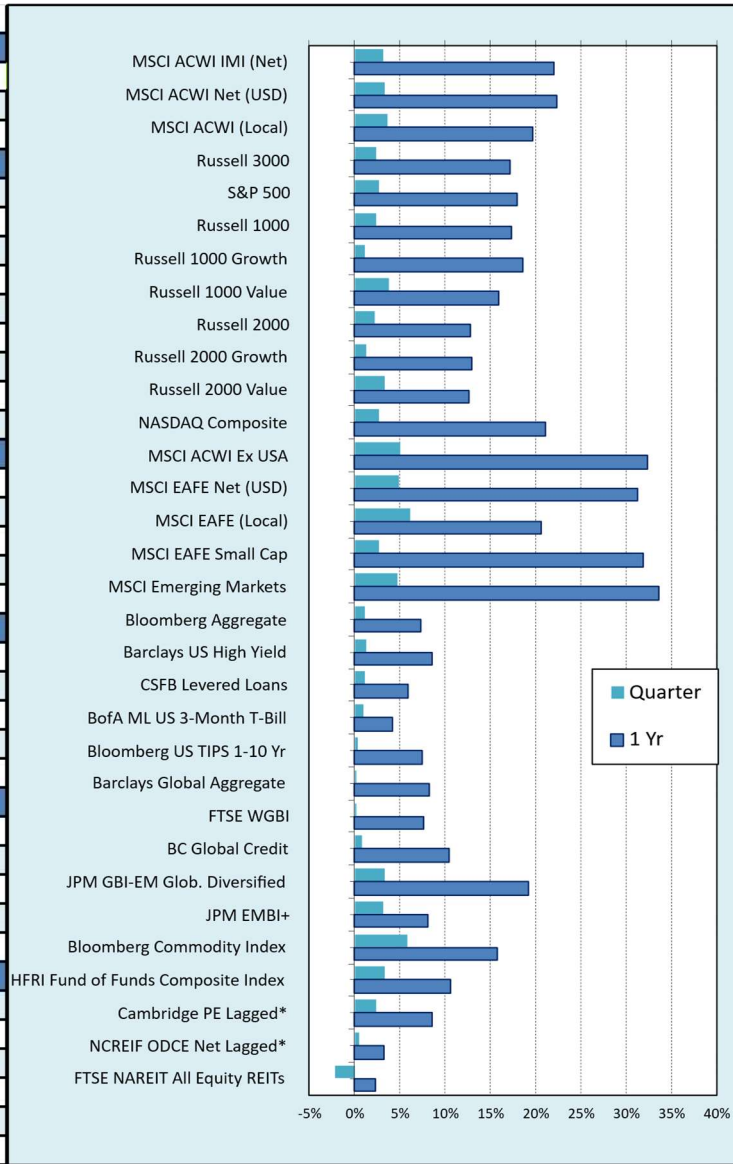
MARCH 2026



MARKET ENVIRONMENT

Q4 2025 OVERVIEW

		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
World Equity Benchmarks						
MSCI ACWI IMI (Net)	World with Small Cap	3.22%	22.06%	19.98%	10.75%	11.45%
MSCI ACWI Net (USD)	World W/O Small Cap	3.29%	22.34%	20.65%	11.19%	11.72%
MSCI ACWI (Local)	World (Local Currency)	3.62%	19.71%	20.51%	12.19%	11.94%
Domestic Equity Benchmarks						
Russell 3000	Domestic All Cap	2.40%	17.15%	22.25%	13.15%	14.29%
S&P 500	Large Core	2.66%	17.88%	23.01%	14.42%	14.82%
Russell 1000	Large Core	2.41%	17.37%	22.74%	13.59%	14.59%
Russell 1000 Growth	Large Growth	1.12%	18.56%	31.15%	15.32%	18.13%
Russell 1000 Value	Large Value	3.81%	15.91%	13.90%	11.33%	10.53%
Russell 2000	Small Core	2.19%	12.81%	13.73%	6.09%	9.62%
Russell 2000 Growth	Small Growth	1.22%	13.01%	15.59%	3.18%	9.57%
Russell 2000 Value	Small Value	3.26%	12.59%	11.73%	8.88%	9.27%
NASDAQ Composite	Large Growth	2.72%	21.14%	31.43%	13.35%	17.66%
International Equity Benchmarks						
MSCI ACWI Ex USA	World ex-US	5.05%	32.39%	17.33%	7.91%	8.41%
MSCI EAFE Net (USD)	Int'l Developed	4.86%	31.22%	17.22%	8.92%	8.18%
MSCI EAFE (Local)	Int'l Developed (Local Currency)	6.13%	20.60%	15.95%	11.47%	8.60%
MSCI EAFE Small Cap	Small Cap Int'l	2.68%	31.83%	14.95%	5.62%	7.49%
MSCI Emerging Markets	Emerging Equity	4.73%	33.57%	16.40%	4.20%	8.42%
Domestic Fixed Income Benchmarks						
Bloomberg Aggregate	Core Bonds	1.10%	7.30%	4.66%	-0.36%	2.01%
Barclays US High Yield	High Yield	1.31%	8.62%	10.06%	4.51%	6.53%
CSFB Levered Loans	Bank Loans	1.19%	5.94%	9.30%	6.37%	5.78%
BofA ML US 3-Month T-Bill	Cash	0.97%	4.18%	4.81%	3.17%	2.18%
Bloomberg US TIPS 1-10 Yr	Inflation	0.31%	7.47%	4.96%	2.52%	3.32%
Global Fixed Income Benchmarks						
Barclays Global Aggregate	Global Core Bonds	0.24%	8.17%	3.98%	-2.15%	1.26%
FTSE WGBI	World Gov. Bonds	0.11%	7.55%	3.19%	-3.53%	0.54%
BC Global Credit	Global Bonds	0.76%	10.45%	6.71%	-0.47%	2.67%
JPM GBI-EM Glob. Diversified	Em. Mkt. Bonds (Local Currency)	3.34%	19.26%	9.48%	1.12%	3.88%
JPM EMBI+	Em. Mkt. Bonds	3.23%	8.03%	12.27%	-0.22%	2.59%
Alternative Benchmarks						
Bloomberg Commodity Index	Commodities	5.85%	15.77%	3.96%	10.64%	5.73%
HFRI Fund of Funds Composite Index	Fund of Hedge Funds	3.28%	10.62%	8.60%	5.19%	4.87%
Cambridge PE Lagged*	Private Equity	2.33%	8.59%	8.48%	14.12%	13.47%
NCREIF ODCE Net Lagged*	Real Estate	0.52%	3.19%	-6.15%	2.59%	4.13%
FTSE NAREIT All Equity REITs	REIT	-2.15%	2.27%	6.12%	4.86%	5.77%
CPI + 2%	Inflation/Real Assets	1.01%	4.71%	5.01%	6.56%	5.26%



* As of 9/30/2025



CALENDAR YEAR INDEX PERFORMANCE

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Dec	YTD
S&P 500	1.4%	12.0%	21.8%	-4.4%	31.5%	18.4%	28.7%	-18.1%	26.3%	25.0%	0.1%	17.9%
Russell 1000	0.9%	12.1%	21.7%	-4.8%	31.4%	21.0%	26.5%	-19.1%	26.5%	24.5%	0.0%	17.4%
Russell 2000	-4.4%	21.3%	14.6%	-11.0%	25.5%	20.0%	14.8%	-20.4%	16.9%	11.5%	-0.6%	12.8%
Russell 2500	-2.9%	17.6%	16.8%	-10.0%	27.8%	20.0%	18.2%	-18.4%	17.4%	12.0%	0.1%	11.9%
MSCI EAFE	-0.8%	1.0%	25.0%	-13.8%	22.0%	7.8%	11.3%	-14.5%	18.2%	3.8%	3.0%	31.2%
MSCI EM	-14.9%	11.2%	37.3%	-14.6%	18.4%	18.3%	-2.5%	-20.1%	9.8%	7.5%	3.0%	33.6%
MSCI ACWI	-2.4%	7.9%	24.0%	-9.4%	26.6%	16.3%	18.5%	-18.4%	22.2%	17.5%	1.0%	22.3%
Private Equity	12.6%	9.9%	9.0%	21.0%	11.1%	17.6%	32.9%	39.4%	-9.1%	5.8%	-	-
BBG TIPS	-1.4%	4.7%	3.0%	-1.3%	8.4%	11.0%	6.0%	-11.8%	3.9%	1.8%	-0.4%	7.0%
BBG Municipal	3.3%	0.2%	5.4%	1.3%	7.5%	5.2%	1.5%	-8.5%	6.4%	1.1%	0.1%	4.2%
BBG Muni High Yield	1.8%	3.0%	9.7%	4.8%	10.7%	4.9%	7.8%	-13.1%	9.2%	6.3%	-0.2%	2.5%
BBG US Corporate HY	-4.5%	17.1%	7.5%	-2.1%	14.3%	7.1%	5.3%	-11.2%	13.4%	8.2%	0.6%	8.6%
BBG US Agg Bond	0.5%	2.6%	3.5%	0.0%	8.7%	7.5%	-1.5%	-13.0%	5.5%	1.3%	-0.1%	7.3%
BBG Global Agg	-3.2%	2.1%	7.4%	-1.2%	6.8%	9.2%	-4.7%	-16.2%	5.7%	-1.7%	0.3%	8.2%
BBG Long Treasuries	-1.2%	1.3%	8.5%	-1.8%	14.8%	17.7%	-4.6%	-29.3%	3.1%	-6.4%	-1.7%	5.6%
BBG US Long Credit	-4.6%	10.2%	12.2%	-6.8%	23.4%	13.3%	-1.2%	-25.3%	10.7%	-2.0%	-1.0%	7.8%
BBG US STRIPS 20+ Yr	-3.7%	1.4%	13.7%	-4.1%	20.9%	24.0%	-5.2%	-39.6%	1.1%	-13.8%	-3.7%	0.9%
JPM GBI-EM Global Div	-14.9%	9.9%	15.2%	-6.2%	13.5%	2.7%	-8.7%	-11.7%	12.7%	-2.4%	1.5%	19.3%
JPM EMBI Glob Div	1.2%	10.2%	10.3%	-4.3%	15.0%	5.3%	-1.8%	-17.8%	11.1%	6.5%	0.7%	14.3%
CS Hedge Fund	-0.7%	1.2%	7.1%	-3.2%	9.3%	6.4%	8.2%	1.1%	5.8%	9.8%	-	9.5%
BBG Commodity	-24.7%	11.8%	1.7%	-11.2%	7.7%	-3.1%	27.1%	16.1%	-7.9%	5.4%	-0.3%	15.8%
Alerian Midstream	-37.3%	33.8%	-2.4%	-13.3%	24.0%	-23.4%	38.4%	21.5%	14.0%	44.5%	-0.3%	5.0%
FTSE NAREIT Equity REITs	3.2%	8.5%	5.2%	-4.6%	26.0%	-8.0%	43.2%	-24.4%	13.7%	8.7%	-2.3%	2.9%

*Private Equity return represents calendar year pooled IRR and is subject to a one quarter lag
Source: FactSet, Barclays, Thomson One

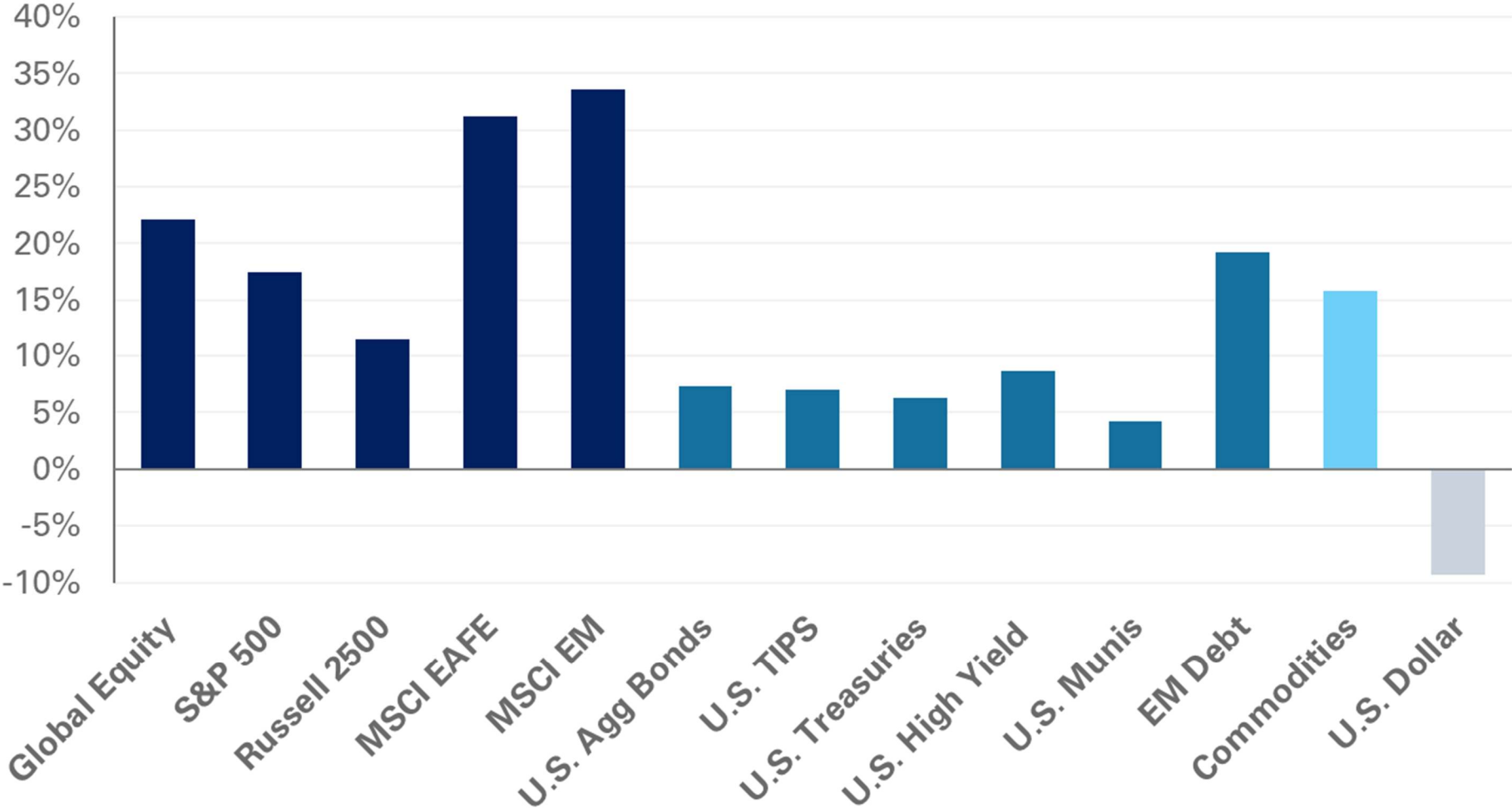


GEOPOLITICS: IRAN UPDATE

- **The attack on Iran pushed equity markets broadly lower during early March**
 - S&P 500 down 2% for the week
 - U.S. value down 3.4% for the week and Russell 2000 down 4%
 - MSCI EAFE and MSCI EM down nearly 7% as the US dollar rallied
- **VIX spiked 10 points during the week to 29, which remains with-in a normalized range. VIX levels above 40, generally offer equity rebalances**
- **Treasury yields finished the week higher over concerns of higher oil prices pushing inflation higher and delaying potential Fed cuts**
- **WTI Oil finished above \$90 barrel and is up nearly 35% for the week**

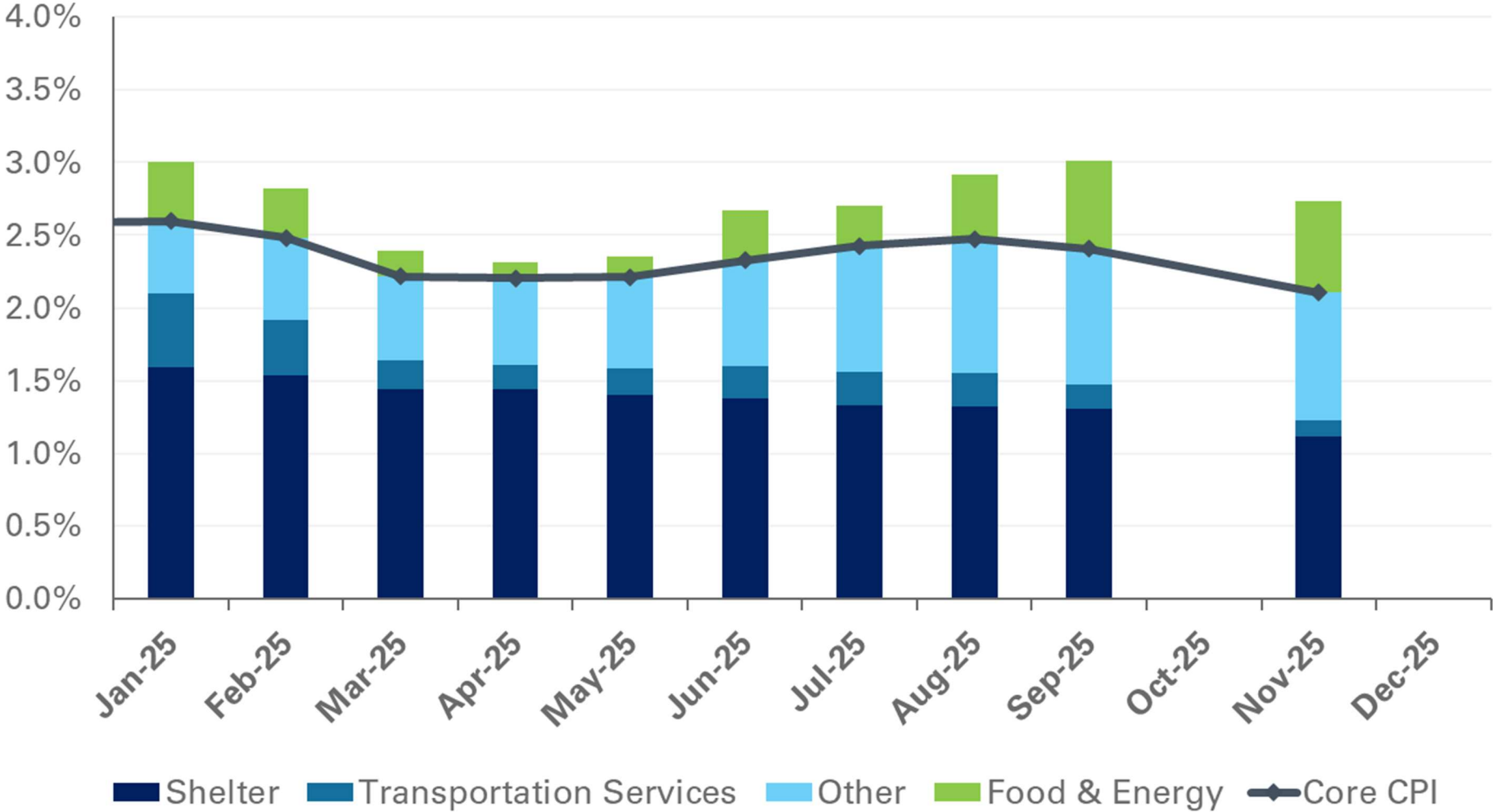
2025: A GOOD YEAR FOR CAPITAL MARKETS

2025 ANNUAL TOTAL RETURNS



BROAD INFLATION TRENDING NEAR ~3%

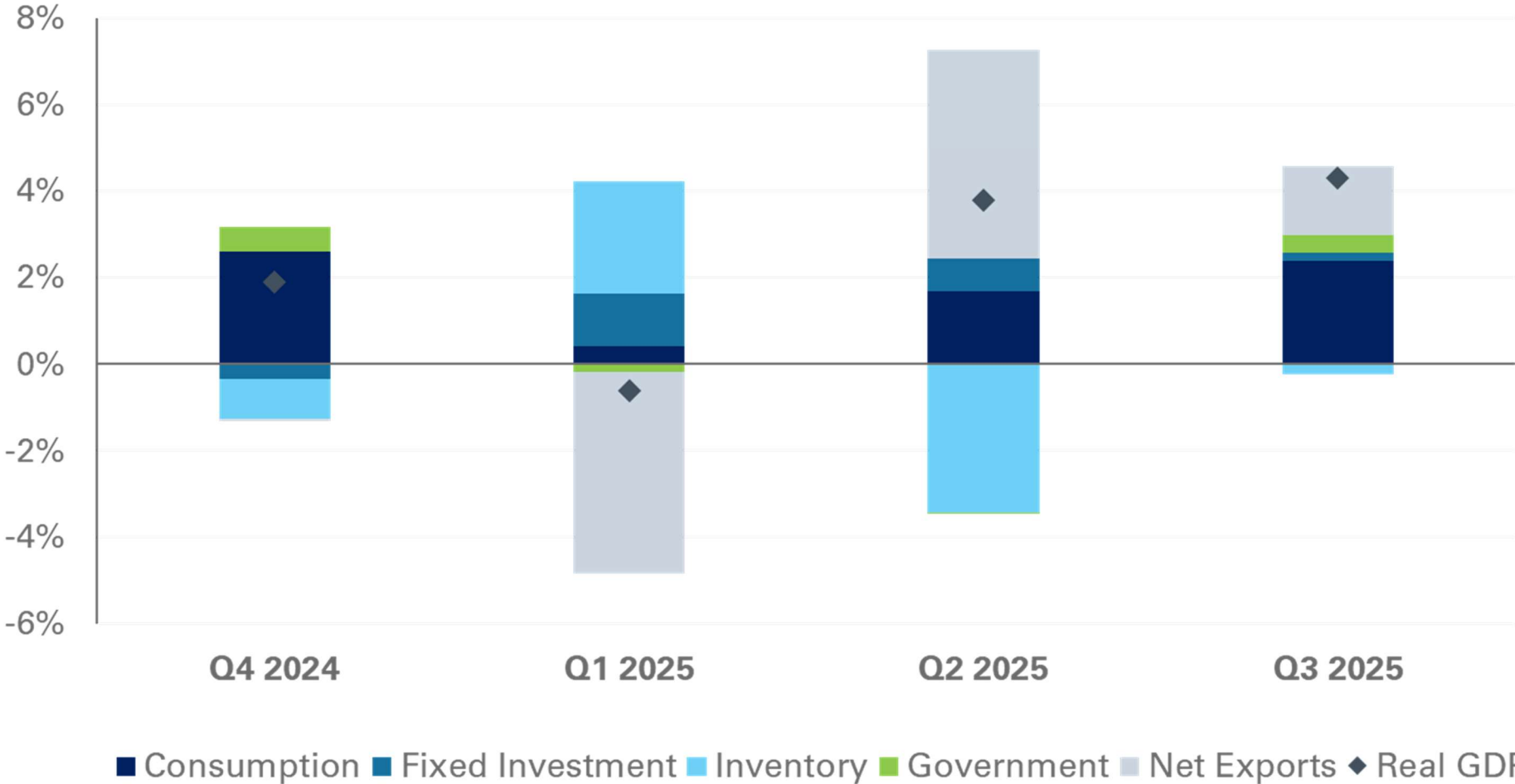
ANNUAL CHANGE IN U.S. CPI-U



Sources: Bureau of Labor Statistics, FactSet, NEPC

THE U.S. ECONOMY WAS STRONGER THAN EXPECTED

CONTRIBUTION TO QUARTERLY U.S. REAL GDP



Note: Q3 Real GDP figure reflects AtlantaFed GDPNow estimate as of November 26, 2025
Sources: U.S. Bureau of Economic Analysis, AtlantaFed, FactSet



AI SPENDING WAS A TAILWIND FOR THE ECONOMY

AI-RELATED SPENDING AS % OF TOTAL U.S. NONRESIDENTIAL CONSTRUCTION SPENDING



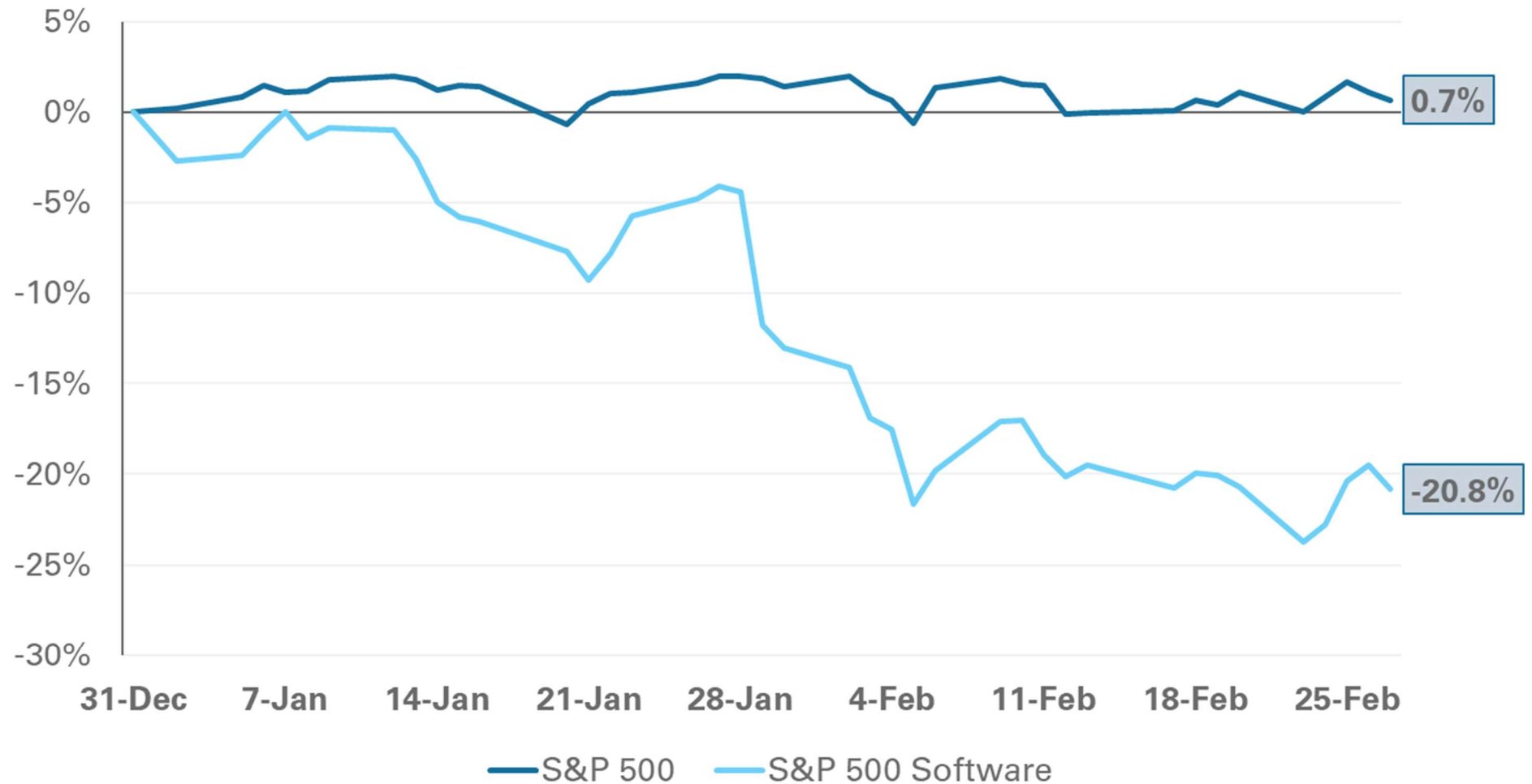
Note: AI-related spending includes data centers, power (including oil & gas), computer, electronic & electrical manufacturing, and communication.

Sources: U.S. Census Bureau, FactSet



SOFTWARE SECTOR FEELING AI WORRIES

YEAR-TO-DATE TOTAL RETURN



Notes: Data from 12/31/2025 thru 2/27/2026

Sources: S&P 500, FactSet, NEPC





**Independent Investment Program Monitoring,
Reporting, and Oversight
(for the Period Ending December 31, 2025)**

Rose Dean, Partner, NEPC

Patrick French, Performance Analytics Manager, NEPC

John Tolar, Senior Consulting Analyst, NEPC



NEPC, LLC

CONTENTS

- **ASRS Investment Objectives & Performance**
- **Independent Oversight & Compliance**
 - SAA Policy Compliance
 - Total Fund and Asset Class Performance
 - Asset Class Committee Monitoring
- **Appendix: SAA Policy History**

DISCLOSURE

- **NEPC has developed reports for both the Investment Committee and Board designed to 1) provide the appropriate level of investment information for the purposes of independent oversight (ASRS SAAP compliance, Asset Class Committee minutes review, investment selection due diligence packet compliance and oversight of the investment program data used to compile NEPC and ASRS reporting); 2) provide ASRS investment program performance relative to its goals/objectives (presented quarterly); and 3) communicate NEPC’s perspectives on the market environment, investment outlook or other initiatives or topics they believe are important to convey to the Board.**

- **NEPC has completed a quarter-end quality control process and warrants that IMD Staff materials are accurate subject to the following process:**
 - Investment results were calculated using data provided by the Plan’s custodian bank that is deemed “final” as of December 31, 2025.
 - Investment performance oversight includes reconciliation and confirmation of portfolio level valuations, cash flows, transactions and composite construction including interpretation of investment accounting methods used to track IMD Staff instructed activities.
 - Oversight of performance calculation includes verification of performance and accounting data from external third-party providers and the Plan’s custody bank (book of record) used to produce reporting as well as verification of processes and procedures in custom investment performance calculations.
 - NEPC performed tests of the data produced by external third-party providers and the Plan’s custodian bank using underlying financial records provided by the custodian bank and IMD Staff.



ASRS INVESTMENT OBJECTIVES & PERFORMANCE



ASRS INVESTMENT OBJECTIVES

Goal 2: Excel at Investment Performance					
		Goal Met			
	Ongoing Objectives	Prior Quarter	Current Quarter	Comment	Action Required
1	Maximize total fund net rates of return for acceptable levels of risk.	Yes	Yes	All risk-adjusted returns are ranked in the top quartile of peers.	None
2	Achieve total fund net rates of return in the top 25th percentile or better compared to peers.	Partial	Partial	3-year and shorter time periods rankings are below top quartile. Longer-run trailing time periods are ranked in the top quartile.	None
3	Achieve total fund net rates of return greater than the Strategic Asset Allocation Policy benchmark	Partial	Partial	Total Fund underperformed its SAAP in the last quarter, one- and three-year periods but outperformed in all other periods.	None
4	Achieve total fund net rates of return greater than the actuarial assumed interest rate.	Yes	Yes	All reported trailing time period returns exceed 7%.	None
5	Achieve asset class net rates of return that are greater than their respective benchmarks.	Partial	Partial	Real Estate underperformed in the last one-year. Credit underperformed in the last one-, three-, and five-year periods. Private Equity underperformed in last three-year period.	None
6	Ensure sufficient cash is always available to meet all internal and external cash-flow requirements.	Yes	Yes	ASRS maintained sufficient cash to operate the Fund.	None

Source: ASRS Strategic Plan For the Five Fiscal Year Period from July 1, 2023 to June 30, 2028

Note: Total Fund comparison versus Interim SAAP



EXPECTED 20 YEAR RETURN

Asset Class	Policy Target
Public Equity	44.0%
Private Equity	13.0%
Interest Rate Sensitive	6.0%
Credit	22.0%
Real Estate	15.0%
<i>20 Year Expected Return as of December 31, 2024</i>	8.4%¹
<i>20 Year Expected Return as of December 31, 2025</i>	7.4%²
<i>ASRS Actuarial Rate of Return</i>	7.0%³

Note:

Asset allocation approved by the Board on May 22, 2025.

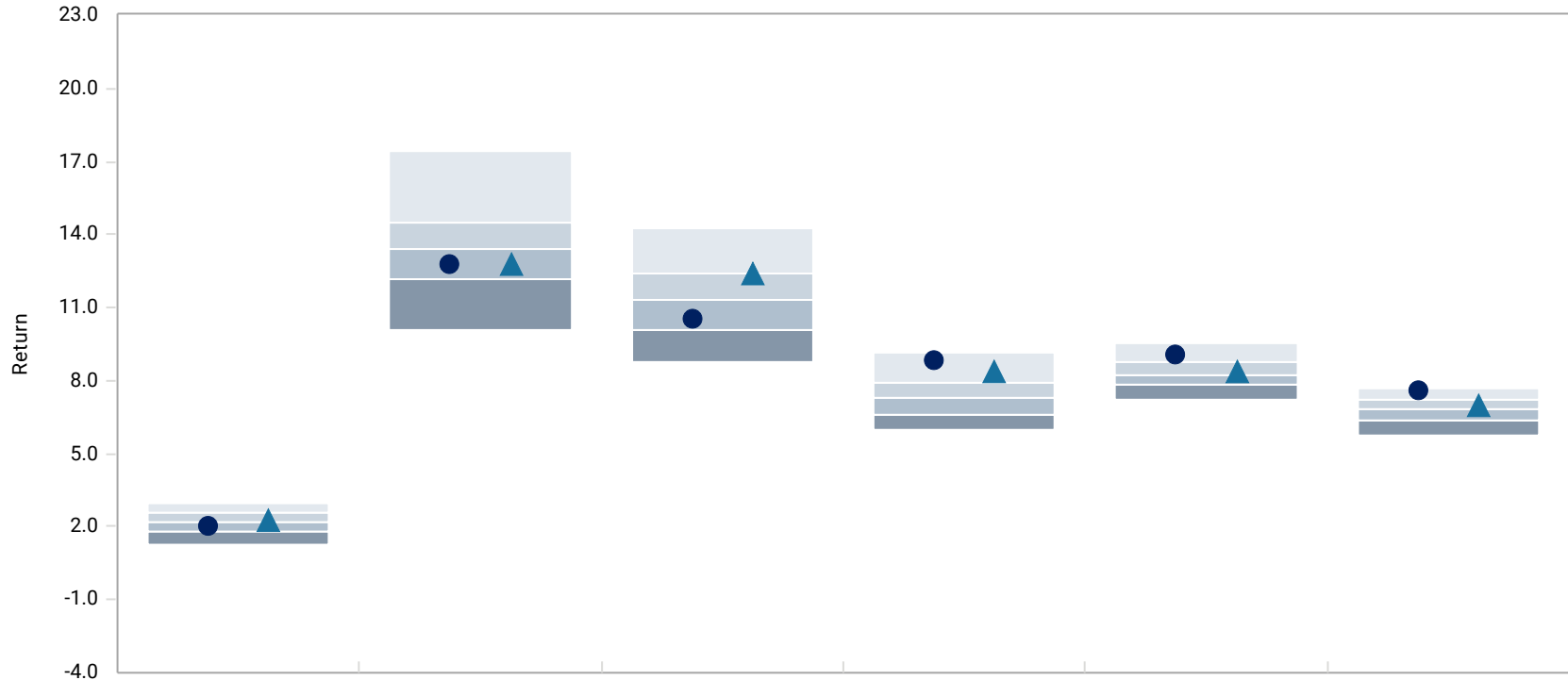
1 - Based on NEPC capital markets assumptions as of December 31, 2024. For Public Equity, Private Equity, and Credit, ASRS assumptions are used. For Real Estate, RCLCO capital markets assumptions are used.

2 - Based on NEPC capital markets assumptions as of December 31, 2025.

3 - ASRS Actuarial Rate of Return As of July 30, 2021.

RETURN SUMMARY VS. PEER UNIVERSE

Total Fund vs. InvMetrics Public DB > \$1 Billion

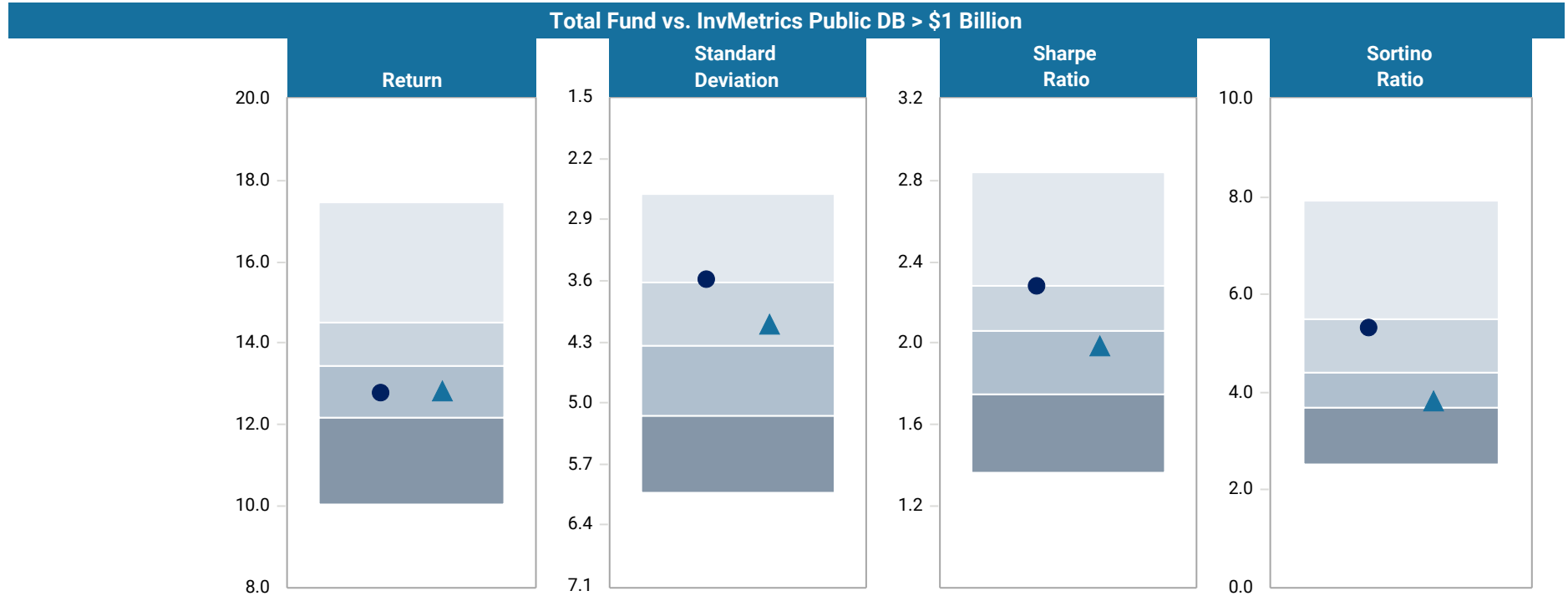


	3 Mo (%) (Percentile)	1 Year (%) (Percentile)	3 Years (%) (Percentile)	5 Years (%) (Percentile)	10 Years (%) (Percentile)	20 Years (%) (Percentile)
● Total Fund	2.02 (67)	12.79 (67)	10.57 (67)	8.84 (8)	9.10 (14)	7.57 (10)
▲ Interm SAA Policy	2.24 (45)	12.82 (67)	12.37 (26)	8.42 (14)	8.41 (40)	7.01 (39)
5th Percentile	2.95	17.45	14.24	9.16	9.57	7.71
1st Quartile	2.58	14.52	12.43	7.94	8.79	7.20
Median	2.20	13.44	11.29	7.30	8.25	6.80
3rd Quartile	1.84	12.17	10.07	6.60	7.80	6.40
95th Percentile	1.25	10.06	8.79	6.00	7.21	5.76
Population	106	106	106	103	99	74

Universes are constructed using net of fee returns; therefore, ASRS rank is based on net of fee returns. Rankings are from highest (1) to lowest (100) in the InvMetrics Public Funds > \$1 Billion Net Universe.



TOTAL FUND RISK STATISTICS VS. PEER UNIVERSE

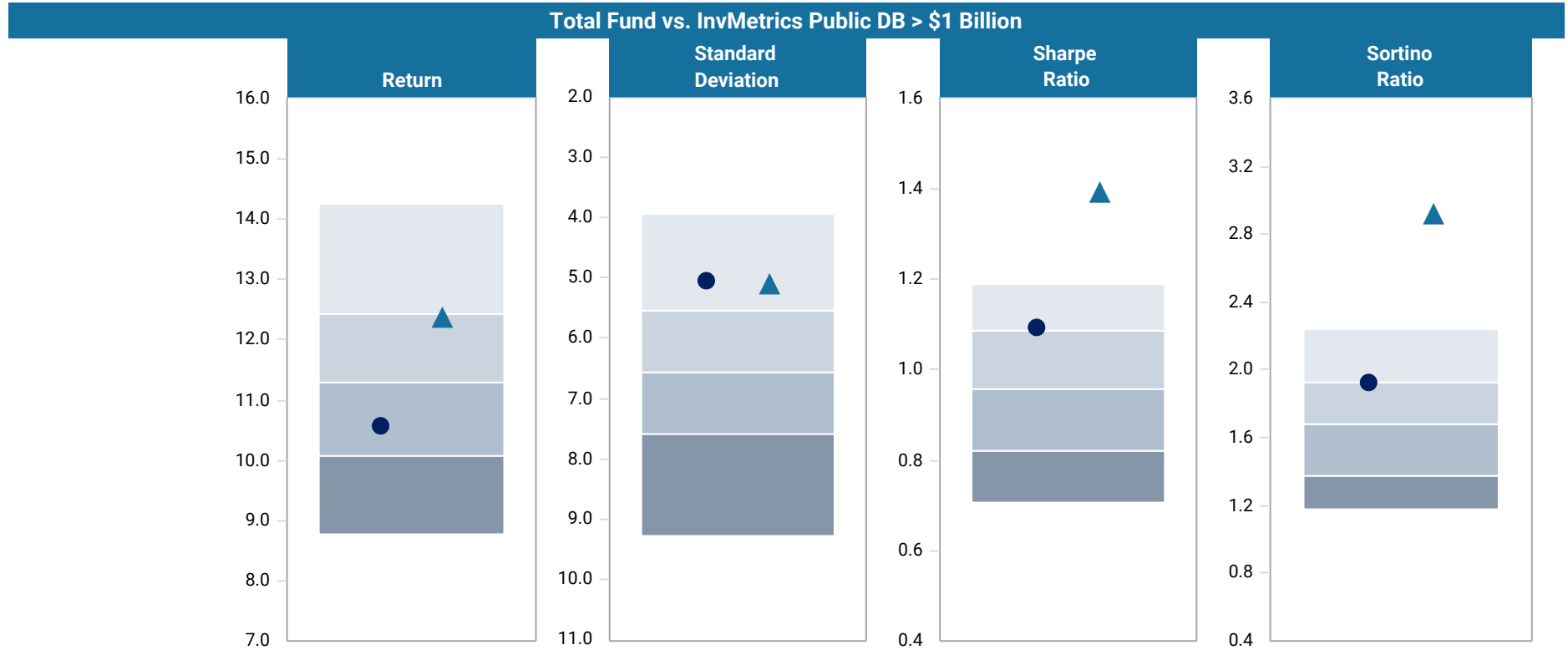


	1 Yr (%) (Percentile)	1 Yr (%) (Percentile)	1 Yr (%) (Percentile)	1 Yr (%) (Percentile)
● Total Fund	12.79 (67)	3.58 (21)	2.28 (25)	5.34 (27)
▲ Interm SAA Policy	12.82 (67)	4.10 (40)	1.99 (60)	3.81 (70)
5th Percentile	17.45	2.61	2.84	7.91
1st Quartile	14.52	3.62	2.28	5.48
Median	13.44	4.36	2.06	4.41
3rd Quartile	12.17	5.15	1.75	3.69
95th Percentile	10.06	6.03	1.37	2.51
Population	106	106	106	106

Universes are constructed using net of fee returns; therefore, ASRS rank is based on net of fee returns. Rankings are from highest (1) to lowest (100) in the InvMetrics Public Funds > \$1 Billion Net Universe. The standard deviation of all returns, both the total fund and universe, may be understated due to private markets assets being valued on a quarterly basis with a 1 quarter



TOTAL FUND RISK STATISTICS VS. PEER UNIVERSE



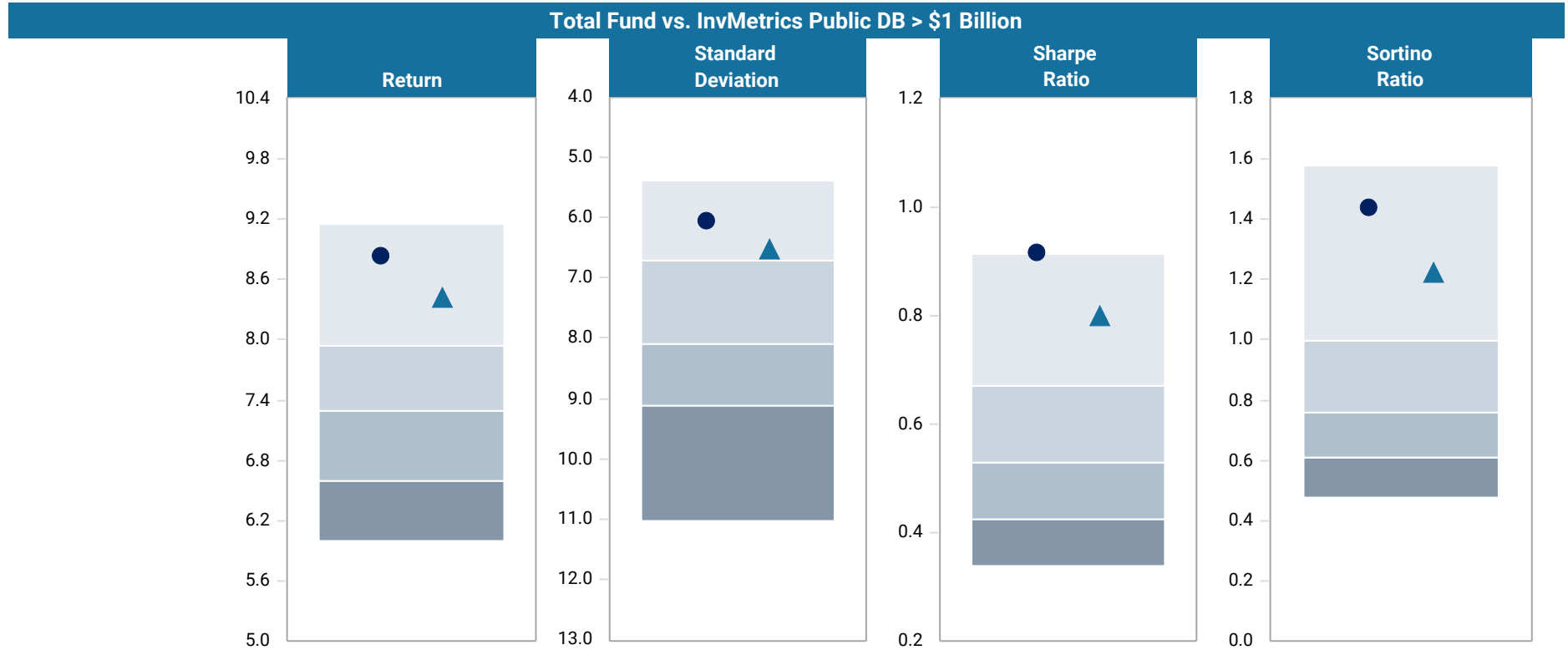
	3 Yrs (%) (Percentile)	3 Yrs (%) (Percentile)	3 Yrs (%) (Percentile)	3 Yrs (%) (Percentile)
● Total Fund	10.57 (67)	5.03 (14)	1.10 (22)	1.92 (26)
▲ Interm SAA Policy	12.37 (26)	5.11 (16)	1.39 (3)	2.92 (2)
5th Percentile	14.24	3.95	1.19	2.24
1st Quartile	12.43	5.54	1.09	1.92
Median	11.29	6.56	0.96	1.68
3rd Quartile	10.07	7.60	0.82	1.37
95th Percentile	8.79	9.27	0.71	1.18

Population 106 106 106 106

Universes are constructed using net of fee returns; therefore, ASRS rank is based on net of fee returns. Rankings are from highest (1) to lowest (100) in the InvMetrics Public Funds > \$1 Billion Net Universe. The standard deviation of all returns, both the total fund and universe, may be understated due to private markets assets being valued on a quarterly basis with a 1 quarter



TOTAL FUND RISK STATISTICS VS. PEER UNIVERSE



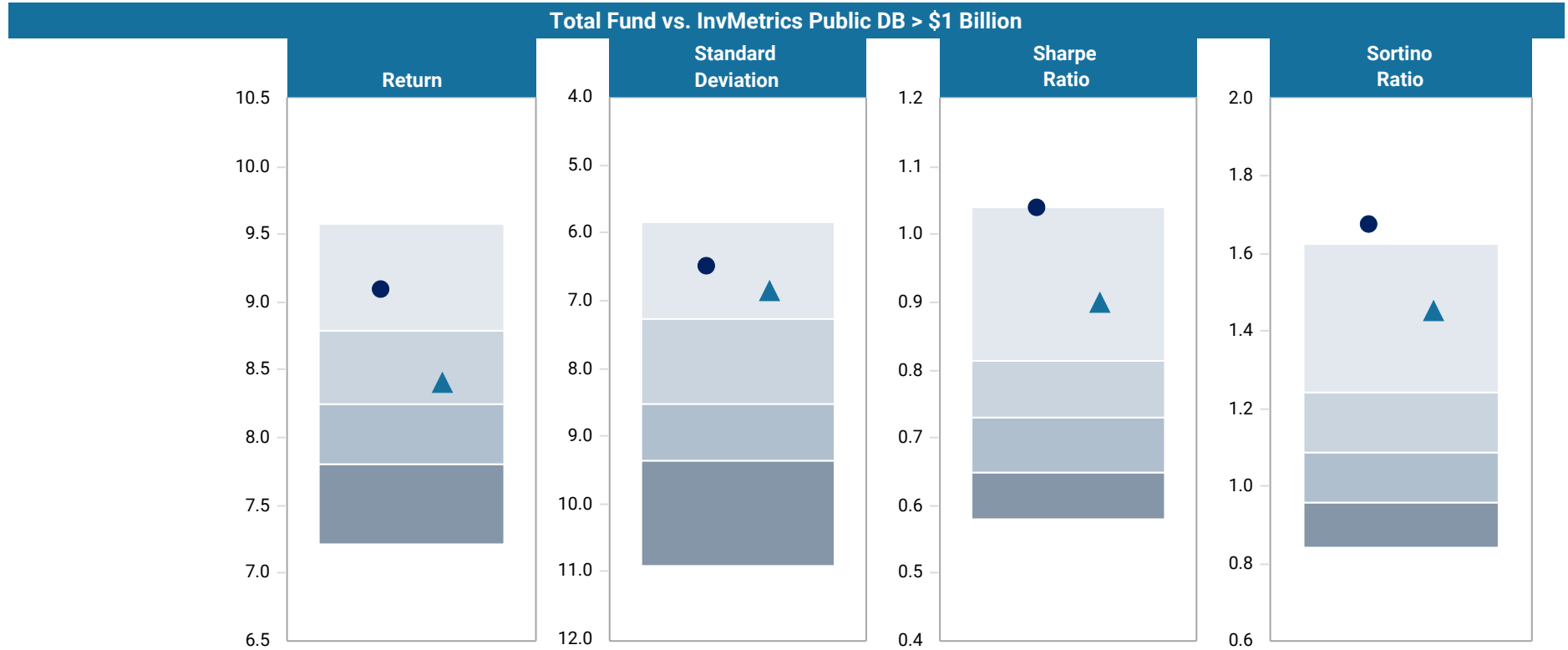
	5 Yrs (%) (Percentile)	5 Yrs (%) (Percentile)	5 Yrs (%) (Percentile)	5 Yrs (%) (Percentile)
● Total Fund	8.84 (8)	6.05 (7)	0.92 (5)	1.44 (8)
▲ Interm SAA Policy	8.42 (14)	6.53 (19)	0.80 (11)	1.22 (12)
5th Percentile	9.16	5.37	0.91	1.58
1st Quartile	7.94	6.71	0.67	1.00
Median	7.30	8.10	0.53	0.76
3rd Quartile	6.60	9.13	0.43	0.61
95th Percentile	6.00	11.02	0.34	0.48

Population 103 103 103 103

Universes are constructed using net of fee returns; therefore, ASRS rank is based on net of fee returns. Rankings are from highest (1) to lowest (100) in the InvMetrics Public Funds > \$1 Billion Net Universe. The standard deviation of all returns, both the total fund and universe, may be understated due to private markets assets being valued on a quarterly basis with a 1 quarter



TOTAL FUND RISK STATISTICS VS. PEER UNIVERSE



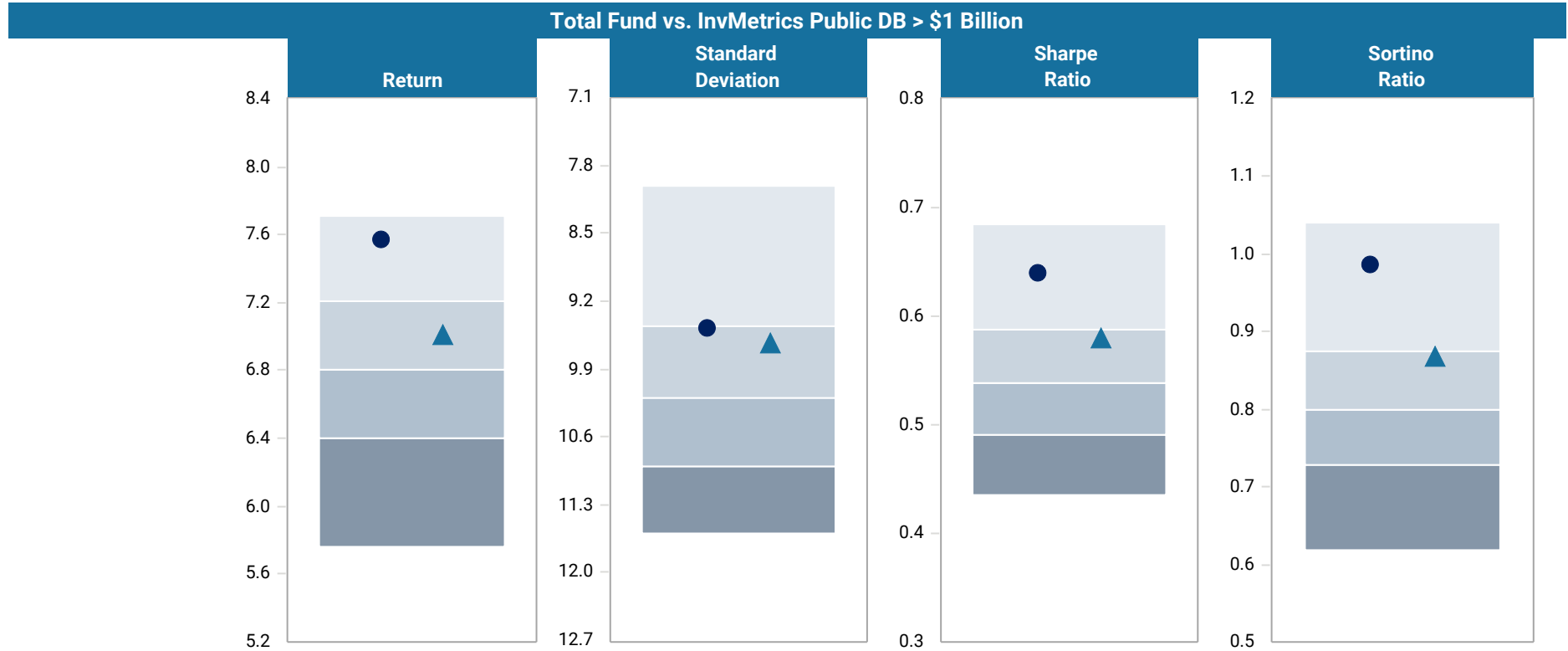
	10 Yrs (%) (Percentile)	10 Yrs (%) (Percentile)	10 Yrs (%) (Percentile)	10 Yrs (%) (Percentile)
● Total Fund	9.10 (14)	6.49 (7)	1.04 (6)	1.68 (5)
▲ Interm SAA Policy	8.41 (40)	6.85 (17)	0.90 (18)	1.45 (13)
5th Percentile	9.57	5.85	1.04	1.63
1st Quartile	8.79	7.28	0.81	1.24
Median	8.25	8.54	0.73	1.09
3rd Quartile	7.80	9.37	0.65	0.96
95th Percentile	7.21	10.93	0.58	0.84

Population 99 99 99 99

Universes are constructed using net of fee returns; therefore, ASRS rank is based on net of fee returns. Rankings are from highest (1) to lowest (100) in the InvMetrics Public Funds > \$1 Billion Net Universe. The standard deviation of all returns, both the total fund and universe, may be understated due to private markets assets being valued on a quarterly basis with a 1 quarter



TOTAL FUND RISK STATISTICS VS. PEER UNIVERSE



	20 Years (%) (Percentile)	20 Years (%) (Percentile)	20 Years (%) (Percentile)	20 Years (%) (Percentile)
● Total Fund	7.57 (10)	9.48 (27)	0.64 (9)	0.99 (7)
▲ Interm SAA Policy	7.01 (39)	9.63 (32)	0.58 (29)	0.87 (26)
5th Percentile	7.71	8.01	0.68	1.04
1st Quartile	7.20	9.46	0.59	0.87
Median	6.80	10.20	0.54	0.80
3rd Quartile	6.40	10.91	0.49	0.73
95th Percentile	5.76	11.61	0.44	0.62

Population 74 74 74 74

Universes are constructed using net of fee returns; therefore, ASRS rank is based on net of fee returns. Rankings are from highest (1) to lowest (100) in the InvMetrics Public Funds > \$1 Billion Net Universe. The standard deviation of all returns, both the total fund and universe, may be understated due to private markets assets being valued on a quarterly basis with a 1 quarter

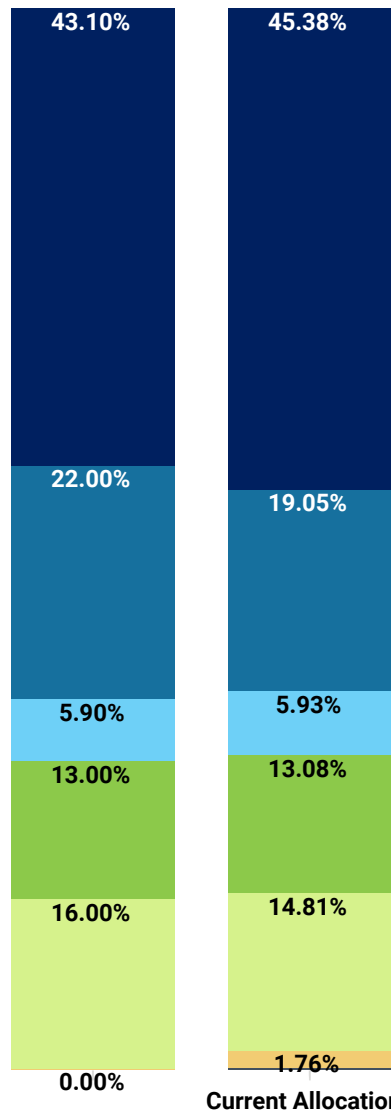


INDEPENDENT OVERSIGHT & COMPLIANCE



SAA COMPLIANCE POLICY

Interim SAAP vs. Current Allocation



Assets	Current Mkt Value	Current Allocation	Interim SAAP	Interim SAAP Difference	Policy Range	Within Range	SAAP
Public Equity	28,538,398,197	45.38	43.10	2.28	34.00 - 54.00	Yes	44.00
Credit	11,978,914,024	19.05	22.00	-2.95	17.00 - 26.00	Yes	23.00
Interest Rate Sensitive	3,730,525,109	5.93	5.90	0.03	3.00 - 12.00	Yes	6.00
Private Equity	8,224,181,611	13.08	13.00	0.08	10.00 - 15.00	Yes	10.00
Real Estate	9,314,981,483	14.81	16.00	-1.19	11.00 - 19.00	Yes	17.00
Cash	1,105,263,322	1.76	0.00	1.76	0.00 - 5.00	Yes	0.00
Other	18,449	0.00	0.00	0.00	0.00 - 10.00	Yes	0.00
Total	62,892,282,195	100.00	100.00	0.00			100.00

Note:

Values shown for private markets portfolios include cash flows that occurred during Q4 2025.

Total Equity market value includes futures positions profit and loss as well as notional values of futures positions.

Includes values in transition account.

Policy Ranges shown are relative to the long-term SAAP and may cause some asset classes to be out of range while implementation of the long-term SAAP is in process.

Arizona State Retirement System

December 31, 2025

PERFORMANCE DETAIL

	Allocation		Performance (%)						
	Market Value (\$)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	62,892,282,195	100.00	2.02 (67)	12.79 (67)	10.57 (67)	8.84 (8)	9.10 (14)	9.57	Jul-75
<i>Interm SAA Policy</i>			2.24	12.82	12.37	8.42	8.41	9.19	
Over/Under			-0.22	-0.03	-1.80	0.43	0.69	0.38	
<i>InvMetrics Public DB > \$1 Billion Median</i>			2.20	13.44	11.29	7.30	8.25		
Total Public Equity	28,538,398,197	45.38	3.75	22.55	20.74	11.40	11.50	8.16	Jan-98
<i>ASRS Custom Total Public Equity Benchmark</i>			3.66	22.07	20.47	11.14	11.86	7.87	
Over/Under			0.09	0.48	0.26	0.26	-0.35	0.30	
Total Domestic Equity	18,506,610,378	29.43	2.48	17.51	22.55	13.48	13.91	11.66	Jul-75
<i>ASRS Custom Domestic Equity Benchmark</i>			2.42	17.25	22.38	13.30	14.52	11.85	
Over/Under			0.05	0.26	0.17	0.18	-0.61	-0.18	
Total International Equity	10,031,787,819	15.95	6.19	33.00	17.91	8.39	8.44	6.48	Apr-87
<i>ASRS Custom Int'l Equity Benchmark</i>			6.05	32.06	17.44	7.95	8.40	6.23	
Over/Under			0.14	0.95	0.48	0.43	0.04	0.25	
Total Private Equity	8,224,181,611	13.08	1.93	8.20	7.17	14.42	12.73	9.38	Jan-08
<i>ASRS Custom Private Equity Benchmark 1 Qtr. Lag</i>			1.50	2.96	17.67	10.72	10.77	8.36	
Over/Under			0.43	5.25	-10.50	3.70	1.97	1.02	
Interest Rate Sensitive	3,730,525,109	5.93	0.93	6.53	3.87	-0.82	1.92	6.94	Jul-75
<i>ASRS Custom IRS Benchmark</i>			0.90	6.32	3.62	-1.05	1.66		
Over/Under			0.03	0.22	0.25	0.22	0.26		
Credit	11,978,914,024	19.05	1.45	5.82	7.86	8.91	8.84	8.48	Oct-12
<i>ASRS Custom Credit Benchmark 1 Qtr. Lag</i>			1.51	9.62	12.56	9.61	8.29	6.71	
Over/Under			-0.06	-3.79	-4.71	-0.70	0.55	1.77	
Total Real Estate	9,314,981,483	14.81	-1.83	1.94	-3.11	3.41	5.43	5.27	Oct-05
<i>NCREIF ODCE Net 1 Qtr. Lag</i>			0.52	3.19	-6.15	2.59	4.13	5.10	
Over/Under			-2.35	-1.25	3.03	0.83	1.31	0.17	

ASSET CLASS PERFORMANCE VS. BENCHMARK

	1 Year Return	3 Year Return	5 Year Return	10 Year Return
Public Equity (TWR)	22.55%	20.74%	11.40%	11.50%
ASRS Custom Public Equity Benchmark (TWR)	22.07%	20.47%	11.14%	11.86%
Excess Return	0.48%	0.27%	0.26%	-0.36%
Private Equity (TWR)	8.20%	7.17%	14.42%	12.73%
ASRS Custom Private Equity Benchmark (TWR)	2.96%	17.67%	10.72%	10.77%
Excess Return	5.24%	-10.50%	3.70%	1.96%
Interest Rate Sensitive (TWR)	6.53%	3.87%	-0.82%	1.92%
ASRS Custom IRS Benchmark (TWR)	6.32%	3.62%	-1.05%	1.66%
Excess Return	0.21%	0.25%	0.23%	0.26%
Credit (TWR)	5.82%	7.86%	8.91%	8.84%
ASRS Custom Credit Benchmark (TWR)	9.62%	12.56%	9.61%	8.29%
Excess Return	-3.80%	-4.70%	-0.70%	0.55%
Real Estate (TWR)	1.94%	-3.11%	3.41%	5.43%
NCREIF ODCE Net 1 Qtr. Lag (TWR)	3.19%	-6.15%	2.59%	4.13%
Excess Return*	-1.25%	3.04%	0.82%	1.30%

Note: Composition of ASRS Custom Asset Class Benchmarks can be found in the appendix.

TWR is Time Weighted Return



PRIVATE MARKETS PERFORMANCE - IRR

AS OF SEPTEMBER 30, 2025

	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)
Private Equity (IRR)	2.05	7.71	7.35	14.57	12.76	12.28
<i>MSCI PE North America & Western Europe*</i>	<i>1.14</i>	<i>7.83</i>	<i>8.95</i>	<i>14.28</i>	<i>14.86</i>	<i>12.25</i>
Credit (IRR)	1.36	5.59	7.76	9.11	8.96	9.24
<i>MSCI Private Credit U.S. and Western Europe**</i>	<i>0.82</i>	<i>6.96</i>	<i>8.93</i>	<i>9.47</i>	<i>8.55</i>	<i>8.48</i>
Real Estate (IRR)	-1.85	2.02	-3.29	2.87	4.34	5.32
<i>NCREIF ODCE</i>	<i>0.52</i>	<i>3.19</i>	<i>-6.15</i>	<i>2.59</i>	<i>4.13</i>	<i>5.10</i>

Source: BNY Mellon/ MSCI Burgiss

* Buyout and Expansion Capital for North America and Western Europe

** Includes Private Direct Lending, Distressed Debt and Other Private Credit Strategies

The MSCI Burgiss historical IRRs may change over time if new funds are added to the existing historical universe



PUBLIC MARKET ASSET CLASS ANALYSIS

	3 Years Return	3 Years Standard Deviation	3 Years Tracking Error	3 Years Information Ratio	3 Years Jensen Alpha	3 Years Beta	3 Years Sharpe Ratio
Total Public Equity	20.74	11.74	0.18	1.28	0.20	1.00	1.27
ASRS Custom Total Public Equity Benchmark	20.47	11.72	0.00		0.00	1.00	1.26
Total Domestic Equity	22.55	12.66	0.20	0.72	0.06	1.01	1.31
ASRS Custom Domestic Equity Benchmark	22.38	12.59	0.00		0.00	1.00	1.31
Total International Equity	17.91	11.96	0.31	1.28	0.47	0.99	1.05
ASRS Custom Int'l Equity Benchmark	17.44	12.02	0.00		0.00	1.00	1.01
Interest Rate Sensitive	3.87	5.40	0.14	1.72	0.22	0.99	-0.14
ASRS Custom IRS Benchmark	3.62	5.47	0.00		0.00	1.00	-0.18

	5 Years Return	5 Years Standard Deviation	5 Years Tracking Error	5 Years Information Ratio	5 Years Jensen Alpha	5 Years Beta	5 Years Sharpe Ratio
Total Public Equity	11.40	14.17	0.18	1.33	0.23	1.00	0.62
ASRS Custom Total Public Equity Benchmark	11.14	14.16	0.00		0.00	1.00	0.60
Total Domestic Equity	13.48	15.47	0.18	0.94	0.13	1.00	0.70
ASRS Custom Domestic Equity Benchmark	13.30	15.42	0.00		0.00	1.00	0.69
Total International Equity	8.39	13.90	0.38	1.06	0.41	1.00	0.43
ASRS Custom Int'l Equity Benchmark	7.95	13.94	0.00		0.00	1.00	0.40
Interest Rate Sensitive	-0.82	5.88	0.20	1.12	0.17	0.99	-0.66
ASRS Custom IRS Benchmark	-1.05	5.95	0.00		0.00	1.00	-0.69

CASH MANAGEMENT

Month	External CFs	Last day of the Month Ending Balance*
Dec - 24	(\$35.09)	\$904.7
Jan - 25	(\$68.19)	\$593.65
Feb - 25	(\$104.59)	\$426.80
Mar - 25	(\$98.77)	\$898.85
Apr - 25	(\$100.12)	\$781.19
May - 25	(\$25.97)	\$622.21
Jun - 25	(\$79.64)	\$,1043.26
Jul - 25	(\$74.05)	\$1,263.56
Aug -25	(\$124.29)	\$1,113.61
Sep – 25	(\$117.62)	\$1,370.04
Oct - 25	(\$70.1)	\$603.40
Nov - 25	(\$143.0)	\$1,309.15
Dec - 25	(\$35.7)	\$1,102.16

*Includes assetized & unassetized cash balances (Inception of 1/26/15); represents monies to be used for funding needs that occur in subsequent month(s). Generally, monthly pension payments occur on the first day of month.

ASSET CLASS COMMITTEE MEETINGS

FIDUCIARY OVERSIGHT

Seven Combined Asset Class Committee Meetings were convened during the fourth quarter of 2025.

- **October 28, 2025 – Combined Asset Class Committee**
 - Real Estate recommendation
 - Staff and extension consultant recommendation to approve sale of an asset
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation

- **November 4, 2025 – Combined Asset Class Committee**
 - Public Equity recommendation
 - Staff recommendation to update strategy papers for internally-managed portfolios
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation

- **November 12, 2025 – Combined Asset Class Committee**
 - Real Estate recommendation
 - Staff and extension consultant recommendation to approve sale of an asset
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation
 - Real Estate manager recommendation (\$200mm)
 - Staff and extension consultant recommendation to approve a commitment increase with an existing investment manager relationship
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation

ASSET CLASS COMMITTEE MEETINGS

FIDUCIARY OVERSIGHT

- **November 25, 2025 – Combined Asset Class Committee**

- Credit manager recommendation
 - Staff recommendation to approve modification of provisions of an existing manager relationship
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation

- **December 9, 2025 – Combined Asset Class Committee**

- Private Equity manager recommendation (\$100mm)
 - Staff recommendation to approve a commitment of new capital within new investment manager relationship
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation
- Real Estate recommendation
 - Staff and extension consultant recommendation to approve the 2026 Real Estate implementation plan
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation
- Real Estate recommendation
 - Staff and extension consultant recommendation to approve withdrawal of membership interest and transfer of assets with an existing manager relationship
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation

ASSET CLASS COMMITTEE MEETINGS

FIDUCIARY OVERSIGHT

- **December 16, 2025 – Combined Asset Class Committee**

- Real Estate manager recommendation (\$75mm)
 - Staff and extension consultant recommendation to approve a commitment of new capital with an existing investment manager relationship
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation
- Private Equity implementation plan and recommendation (\$450mm)
 - Staff recommendation to approve 2026 Private Equity interim implementation plan, including an additional commitment of new capital to an existing investment manager relationship
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation
- Private Equity manager recommendation
 - Staff recommendation to approve sale of an asset
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Committee approved the recommendation

- **December 18, 2025 – Combined Asset Class Committee**

- Private Equity recommendation
 - Staff recommendation to approve rolling interest in an asset
 - Due diligence process was followed in accordance with SP 006 – Investment Manager, Partner, and Co-Investment Selection and Oversight
 - Action and further discussion of this item was tabled until September 2, 2025

GENERAL OBSERVATIONS

- **ASRS investment objectives as specified in the Strategic Plan are being met over the long term**
 - Objectives not being met in the shorter-term is largely driven by the mismatch in private markets investment valuations and public market benchmarks
- **On a risk-adjusted basis, the ASRS portfolio ranks in the top quartile for all periods 5 years and longer**
- **In the longer term, private markets asset classes have been additive to the overall portfolio performance**
 - Private Equity, Credit and Real Estate have all outperformed their benchmarks since inception
 - Private Equity and Credit in particular, have been important sources of return for the ASRS portfolio and contributed to achieving returns above the assumed rate of return in the long-term



APPENDIX

SAA POLICY HISTORY



STRATEGIC ASSET ALLOCATION POLICY HISTORY

- 7/1/75 – 12/31/79 – 40% S&P 500/60% Barclays Capital Aggregate
- 1/1/80 – 12/31/83 – 50% S&P 500/50% Barclays Capital Aggregate
- 1/1/84 – 12/31/91 – 60% S&P 500/40% Barclays Capital Aggregate
- 1/1/92 – 12/31/94 – 50% S&P 500/10% MSCI EAFE/40% Barclays Capital Aggregate
- 1/1/95 – 6/30/97 – 45% S&P 500/15% MSCI EAFE/40% Barclays Capital Aggregate
- 7/1/97 – 12/31/99 – 50% S&P 500/15% MSCI EAFE/35% Barclays Capital Aggregate
- 1/1/00 – 9/30/03 – 53% S&P 500/17% MSCI EAFE/30% Barclays Capital Aggregate
- 10/1/03 – 12/31/06 – 53% S&P 500/15% MSCI EAFE/ACWI ex-U.S.¹/26% Barclays Capital Aggregate/6% NCREIF ODCE (lagged one quarter)
- 1/1/07 – 10/31/2009 – 31% S&P 500/7% S&P 400/7% S&P 600/18% MSCI ACWI ex-U.S./5% Russell 2000 (lagged one quarter)/26% Barclays Capital Aggregate/6% NCREIF ODCE (lagged one quarter)
- 11/1/2009 – 6/30/2012 – 28% S&P 500/6% S&P 400/6% S&P 600/13% MSCI EAFE/2% MSCI EAFE Small Cap/3% MSCI Emerging Markets/7% Russell 2000 (lagged one quarter)/24% Barclays Capital Aggregate/2% Barclays Capital High Yield/6% NCREIF ODCE (lagged one quarter)/3% Dow Jones/UBS Commodities Index
- 7/1/2012 – 3/31/2015 – 23% S&P 500/5% S&P 400/5% S&P 600/14% MSCI EAFE/3% MSCI EAFE Small Cap/6% MSCI Emerging Markets/7% Russell 2000 (lagged one quarter)/13% Barclays Capital Aggregate/5% Barclays Capital High Yield/4% JP Morgan GBI-EM Global Diversified/3% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter)/8% NCREIF ODCE (lagged one quarter)/4% Dow Jones/UBS Commodities Index
- 4/1/2015 – 3/31/2017 – 20% S&P 500/3% S&P 400/3% S&P 600/17% MSCI EAFE/2% MSCI EAFE Small Cap/5% MSCI Emerging Markets/8% Russell 2000 (lagged one quarter)/11% Barclays Capital Aggregate/4% Barclays Capital High Yield/10% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter)/10% NCREIF ODCE (lagged one quarter)/2% Bloomberg Commodities Index TR/5% Multi-Asset Class Custom Index
- 4/1/2017 – 6/30/2018 – 20% S&P 500/3% S&P 400/3% S&P 600/17% MSCI EAFE/2% MSCI EAFE Small Cap/5% MSCI Emerging Markets/8% Russell 2000 (lagged one quarter)/11% Barclays Capital Aggregate/2% Barclays Capital High Yield/12% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter)/10% NCREIF ODCE (lagged one quarter)/2% Bloomberg Commodities Index TR/5% Multi-Asset Class Custom Index
- 7/1/2018 – 9/30/2022 – 40% MSCI ACWI IMI Net w/ USA Gross, 10% MSCI ACWI IMI Net w/ USA Gross 1 Quarter Lagged, 20% NCREIF ODCE, 20% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter), 10% Barclays US Capital Aggregate
- 10/1/2022 – 7/31/2023 – 44% MSCI ACWI IMI Net w/ USA Gross, 10%, 10% MSCI ACWI IMI Net w/ USA Gross 1 Quarter Lagged, 17% NCREIF ODCE, 23% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter), 6% ASRS Custom IRS (Interest Rate Sensitive) Benchmark
- 8/1/2023 – 6/30/25 – 44% MSCI ACWI IMI Custom, 10% MSCI ACWI IMI Net w/ USA Gross 1 Quarter Lagged, 17% NCREIF ODCE 1 Quarter Lagged, 23% S&P/LSTA Levered Loan Index + 250 basis points (lagged one quarter), 6% ASRS Custom IRS (Interest Rate Sensitive) Benchmark
- 7/1/2025 – Present – 44% MSCI ACWI IMI Custom, 13% ASRS Custom Private Equity 1 Quarter Lagged, 15% NCREIF ODCE 1 Quarter Lagged, 22% ASRS Custom Credit (lagged one quarter), 6% ASRS Custom IRS (Interest Rate Sensitive) Benchmark

***Interim SAA Policy: 43.10% MSCI ACWI IMI Custom, 13% ASRS Custom Private Equity 1 Quarter Lagged, 5.90% ASRS Custom IRS (Interest Rate Sensitive) Benchmark, 16% NCREIF ODCE 1 Quarter Lagged, 22% ASRS Custom Credit (lagged one quarter)**

Note: Interim SAA Policy includes proration of a total of Interest Rate Sensitive, Public Equity, Private Equity and Real Estate. Unfunded amounts were allocated 83.3% to Equity and 16.7% to Interest Sensitive Fixed Income.



Note: All International MSCI indices changed from Gross to Net of dividend withholding taxes effective 1/1/2014.

STRATEGIC ASSET ALLOCATION POLICY HISTORY

- **ASRS Custom Total Public Equity Benchmark** was 77% S&P 500, 23% MSCI EAFE through 12/31/1999; 76% S&P 500, 24% MSCI EAFE through 9/30/2003; 78% S&P 500, 22% MSCI EAFE/ACWI ex-U.S.¹ through 12/31/2006; 49% S&P 500, 11% S&P 400, 11% S&P 600, 29% MSCI ACWI ex-U.S. through 10/31/2009; 48% S&P 500, 10% S&P 400, 10% S&P 600, 23% MSCI EAFE, 4% MSCI EAFE Small Cap, 5% MSCI Emerging Markets through 6/30/2012; 41% S&P 500, 9% S&P 400, 9% S&P 600, 25% MSCI EAFE, 5% MSCI EAFE Small Cap, 11% MSCI Emerging Markets through 3/31/2015; 40% S&P 500, 6% S&P 400, 6% S&P 600, 34% MSCI EAFE, 4% MSCI EAFE Small Cap, 10% MSCI Emerging Markets through 6/30/2018; MSCI ACWI IMI w/USA Gross (Net) through 7/31/2023; MSCI ACWI IMI Custom thereafter.
- **ASRS Custom Domestic Equity Benchmark** was S&P 500 through 12/31/2006; 74% S&P 500, 13% S&P 400, 13% S&P 600 through 12/31/2010; 70% S&P 500, 15% S&P 400, 15% S&P 600 through 3/31/2015.; 77% S&P 500, 11.5% S&P 400, 11.5% S&P 600 through 6/30/2018; 100% MSCI USA IMI thereafter.
- **ASRS Custom Domestic Large Cap Equity Benchmark** was the S&P 500 Index through 6/30/2018; MSCI USA Large Cap Index thereafter.
- **ASRS Custom Domestic Mid Cap Equity Benchmark** was the S&P 400 Index through 6/30/2018; MSCI USA Mid Cap Index thereafter.
- **ASRS Custom Small Cap Equity Benchmark** was the Russell 2000 Index through 12/31/2006; S&P 600 Index through 6/30/2018; MSCI USA Small Cap Index thereafter.
- **ASRS Custom International Equity Benchmark** was MSCI EAFE through 9/30/2005; MSCI ACWI ex-U.S. through 12/31/2010; 72% MSCI EAFE, 11% MSCI EAFE Small Cap and 17% MSCI Emerging Markets through 6/30/2012; 61% MSCI EAFE, 13% MSCI EAFE Small Cap and 26% MSCI Emerging Markets through 3/31/2015; 71% MSCI EAFE, 8% MSCI EAFE Small Cap and 21% MSCI Emerging Markets through 6/30/2018; MSCI ACWI IMI ex USA through 7/31/2023; MSCI ACWI IMI ex USA Custom thereafter.
- **ASRS Custom Private Equity Benchmark** was the Russell 2000 Index 1 quarter lagged from inception to 6/30/2018; MSCI ACWI IMI Net w/ USA Gross 1 quarter lagged through 6/30/25, MSCI PE North America and Western Europe thereafter.
- **ASRS Custom Credit Benchmark** was 42% BBG US High Yield Index, 25% S&P LSTA Index lagged 1 quarter + 2.50%, 33% JP Morgan GBI-EM Global Diversified from 7/1/2012-3/31/2015; 29% BBG US High Yield Index, 71% S&P LSTA Index lagged 1 quarter + 2.50% from 4/1/2015-3/31/2017; 14% BBG US High Yield Index, 86% S&P LSTA Index lagged 1 quarter + 2.50% from 4/1/2017-6/30/2018; 100% Morningstar LSTA US Leveraged Loan Index lagged 1 quarter + 2.50% through 6/30/25, MSCI Private Credit U.S. and Western Europe thereafter.
- **ASRS Custom IRS (Interest Rate Sensitive) Benchmark** was Bloomberg US Aggregate Bond Index from inception to 11/14/2022; Bloomberg US Treasury Index from 11/15/2022 thereafter

¹MSCI EAFE/ACWI ex-U.S. Benchmark is the MSCI EAFE Index prior to 10/1/2005 and the MSCI ACWI ex-U.S. thereafter.

Note: All International MSCI indices changed from Gross to Net of dividend withholding taxes effective 1/1/2014.

Information Disclaimer

- Past performance is no guarantee of future results.
- All investments carry some level of risk. Diversification and other asset allocation techniques are not guaranteed to ensure profit or protect against losses.
- NEPC's source for portfolio pricing, calculation of accruals, and transaction information is the plan's custodian bank. Information on market indices and security characteristics is received from other sources external to NEPC. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- Some index returns displayed in this report or used in calculation of a policy, allocation or custom benchmark may be preliminary and subject to change.
- This report is provided as a management aid for the client's internal use only. Information contained in this report does not constitute a recommendation by NEPC.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

Reporting Methodology

- The client's custodian bank is NEPC's preferred data source unless otherwise directed. NEPC generally reconciles custodian data to manager data. If the custodian cannot provide accurate data, manager data may be used.
- Trailing time period returns are determined by geometrically linking the holding period returns, from the first full month after inception to the report date. Rates of return are annualized when the time period is longer than a year. Performance is presented gross and/or net of manager fees as indicated on each page.
- For managers funded in the middle of a month, the "since inception" return will start with the first full month, although actual inception dates and cash flows are taken into account in all Composite calculations.
- This report may contain forward-looking statements that are based on NEPC's estimates, opinions and beliefs, but NEPC cannot guarantee that any plan will achieve its targeted return or meet other goals.



March 26, 2026

Agenda Item

4

Asset Class Investment Reports and Preliminary Total Fund
Investment Performance for the period ending December 31, 2025.



MEMORANDUM

TO: Mr. Jay Petkunas, Arizona State Retirement System (ASRS) Investment Committee Chairperson

FROM: Mr. Paul Matson, Executive Director
Mr. Michael Viteri, Chief Investment Officer

DATE: March 20, 2026

RE: **Agenda Item 4: Asset Class Investment Reports Summary**

Please find below a summary of the December 31, 2025, Asset Class Investment Reports.

PUBLIC EQUITY

As of December 31, 2025, the market value of the Public Equity asset class was \$28,538,398,197, representing 45.38% of the Total Fund. This is slightly above the Strategic Asset Allocation Policy (SAAP) target of 44% and well within the asset class policy range.

The Public Equity portfolio has delivered returns in line with the public equity benchmark:

- Modest benchmark outperformance over the 1-year, 3-year, 5-year, and since-inception periods.
- Modest benchmark underperformance over the 10-year period.

The underperformance observed in the 10-year period is attributed to active strategies (both internally and externally managed) that were discontinued approximately seven years ago.

INTEREST RATE SENSITIVE

As of December 31, 2025, the market value of the Interest Rate Sensitive asset class was \$3,730,525,109, representing 5.93% of the Total Fund, and slightly lower than the SAAP Target of 6%.

The Interest Rate Sensitive portfolio has delivered consistent relative outperformance across all trailing time periods.

PRIVATE EQUITY

As of December 31, 2025, the market value of the Private Equity asset class was \$8,224,181,611, representing 13.08% of the Total Fund, in line with Strategic Asset Allocation Policy (SAAP) target of 13%.

The Private Equity portfolio has demonstrated strong short-term and long-term performance while experiencing medium-term headwinds:

- Outperformed its benchmark on both an absolute basis and in terms of excess return (net of fees) over the 1-year, 5-year, 10-year, and since-inception periods.
- Despite positive absolute returns, underperformed its benchmark by 10.50% over the 3-year period.

The three-year underperformance primarily reflects exceptionally strong public equity returns embedded in the ASRS Private Equity benchmark, which incorporated the MSCI ACWI (one-quarter lag) through June 30, 2025. When measured solely against the MSCI Private Equity North America & Western Europe benchmark—a dollar-weighted IRR peer benchmark—the portfolio's relative performance is more moderate, with returns trailing the peer group median by 1.6% over the three-year period.

Private Equity Implementation Plan

The Private Equity Team will deploy \$1.5 billion in new commitments in the year to keep pace with Total Fund growth while maintaining the 13% target allocation, consistent with the 2025 Asset Liability Study approved by the Board on May 22, 2025.

REAL ESTATE

As of December 31, 2025, the market value of the Real Estate asset class was \$9,314,981,483, representing 14.81% of the Total Fund, slightly lower than the SAAP Target of 15%. The Real Estate portfolio has demonstrated consistent relative strength while navigating the overhang of post-COVID market challenges:

- Exceeded its benchmark in terms of excess returns across the 3-year, 5-year, 10-year, and since inception, while underperforming the benchmark by -1.25% over the 1-year period.
- Despite relative outperformance, posted a negative absolute return of -3.11% for the 3-year period, compared to the benchmark's -6.15% decline.

Real Estate Implementation Plan

The Real Estate Team plans to deploy \$1.3 billion in new commitments and recycling of capital to existing manager of \$1.0 billion to keep pace with Total Fund growth while maintaining the 15% target allocation. This approach is consistent with the Asset Liability Study approved by the Board on May 22, 2025.

CREDIT

As of December 31, 2025, the market value of the Credit asset class was \$11,978,914,024, representing 19.05% of the Total Fund, lower than the SAAP Target of 22%.

The Credit portfolio has demonstrated strong long-term performance despite recent market headwinds:

- Although delivering positive absolute returns across longer-term ending time periods (10-year and since inception), underperformed its benchmark on a relative basis over the 1-year, 3-year, and 5-year basis.

Short- and medium-term underperformance is primarily attributable to unusually strong performance in the publicly traded syndicated loan market, which was incorporated into the asset class benchmark. Although the benchmark transitioned on July 1, 2025, to the peer-relative MSCI Private Credit U.S. and Western Europe benchmark, the effects of prior comparisons to the public market equivalent are expected to persist for several years.

When evaluated solely against the MSCI Private Credit U.S. and Western Europe benchmark—a dollar-weighted IRR peer benchmark—the ASRS Credit portfolio's relative performance is more moderate, with modest underperformance versus the peer median across the 1-, 3-, and 5-year periods.

Credit Implementation Plan

The Real Estate Team plans to deploy \$1.6 billion in new commitments to keep pace with Total Fund growth while maintaining the 22% target allocation, consistent with the Asset Liability approved by the Board on May 22, 2025.



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FEBRUARY 28, 2026 PRELIMINARY PERFORMANCE

As of February 28, 2026, the total market value of the fund reached \$64 billion.

The ASRS investment returns have exceeded the 7% actuarial rate across all trailing time-periods (1-, 3-, 5-, 10-, 20-Years and since Inception (7/1/1975)).

As of February 28, 2026, the fund has outperformed its benchmark across nearly all trailing time periods (the exception being the 3-year period):

- **1-year period:** +1.17% excess return
- **3-year period:** -0.68% excess return
- **5-year period:** +0.69% excess return
- **10-year period:** +0.79% excess return
- **20-year period:** +0.56 excess return
- **Incep (7/1/75):** +.039 excess return



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Investment Committee Report

Q4 2025 Asset Class Investment Reports

Michael Viteri, CIO

Samer Ghaddar, Deputy CIO

Al Alaimo, Deputy CIO

Cole Smith, Senior Portfolio Manager

Micheal Copeland, Senior Portfolio Manager

John Trusiak, Portfolio Manager



March 26, 2026

Agenda Item

4a.

Public Equity Asset Class



An agency of the State of Arizona



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Public Equity

Cole Smith, Senior Portfolio Manager – Public Equity





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Performance



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Total Public Equity Performance

Period Ending 12/31/25	Market Value	FYTD	1 Year	3 Years	5 Years	10 Years	Inception	Incep Date
Total Public Equity	28,538,398,197	11.50	22.55	20.74	11.40	11.50	8.16	Jan-98
Custom Public Equity		11.27	22.08	20.48	11.14	11.86	7.89	
Excess Returns		0.22	0.47	0.26	0.26	(0.35)	0.27	

Period Ending 12/31/25	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	Inception	Incep Date
Total US Equity	18,506,610,378	10.96	17.51	22.55	13.48	13.91	11.66	Jul-75
MSCI USA IMI		10.87	17.25	22.38	13.30	14.52	11.85	
Excess Returns		0.09	0.26	0.17	0.18	(0.61)	(0.18)	

Period Ending 12/31/25	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	Inception	Incep Date
Total International Equity	10,031,787,819	12.52	33.00	17.91	8.39	8.44	6.48	Apr-87
MSCI ACWI IMI ex-USA Custom		12.02	32.06	17.44	7.95	8.40	6.23	
Excess Returns		0.49	0.95	0.48	0.43	0.04	0.25	

As of 31-Dec-2025



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Positioning and Strategy Targets



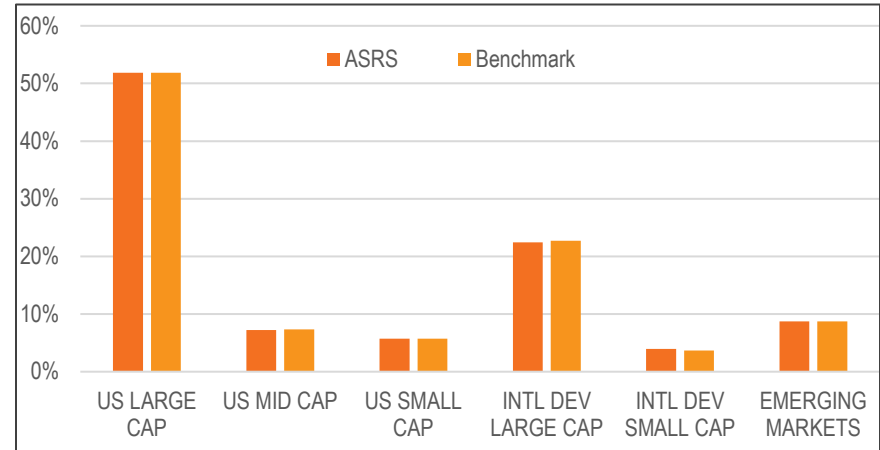
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Public Equity Asset Class Statistics

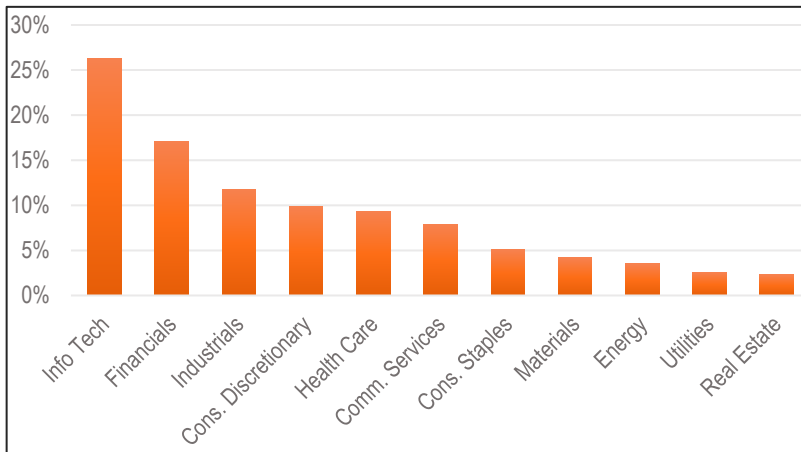
Portfolio Weights as % of Total Plan

Portfolio Summary	
Total Public Equity NAV	\$28,538 M
% of Total Plan	45.4%
# of Internally Managed Accounts	11
Total Internally Managed Assets	\$18,507 M
% of Total Public Equity Portfolio	64.8%
# of Externally Managed Accounts	6
Total Externally Managed Assets	\$10,032 M
% of Total Public Equity Portfolio	35.2%

Public Equity Portfolio vs Benchmark

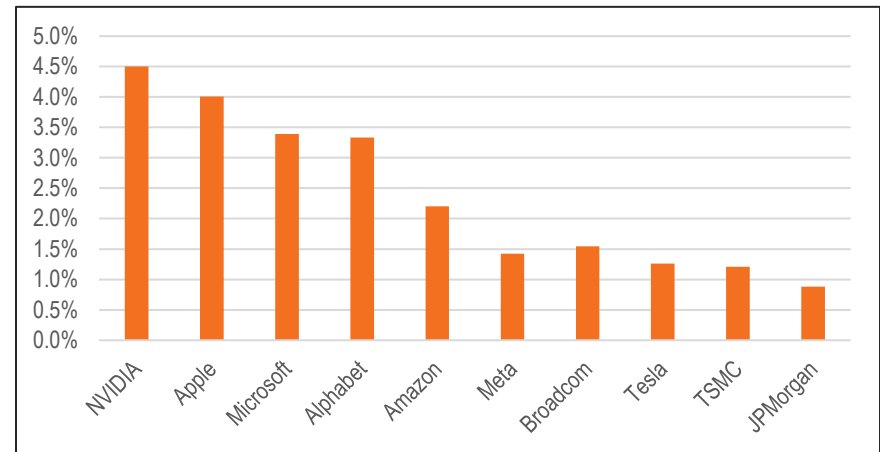


Sector Weights



As of 31-Dec-2025

Top 10 Portfolio Holdings





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House Views

- Equity market* tailwinds are present for the first half of 2026:
 - Growth is tracking above consensus and still improving
 - Inflation continues to trend lower
 - Financial conditions remain supportive
- Tailwinds are likely to moderate as we enter the second half of 2026; however, historically, equity bull markets rarely end in environments where growth is accelerating, and the Federal Reserve remains accommodative.
- Earnings are expected to be the primary driver of equity markets in 2026, with consensus earnings growth forecasts at approximately 14%. Meanwhile, valuations, as measured by the forward price-to-earnings (P/E) ratio, are expected to remain broadly stable at around 22x, implying little to no multiple expansion.
- We anticipate a continued broadening of returns across sectors and geographies. In the U.S., fiscal policy, deregulation, and related initiatives are supporting cyclical industries such as Financials, Industrials, Energy and Materials. Outside the U.S., a weaker dollar, supportive fiscal policy, and lower undemanding valuations are providing a constructive backdrop for non-U.S. equity markets.
- Following three consecutive years of strong double-digit returns in public equity markets*, we expect more moderate returns of 5-8% in 2026, consistent with the average year-end consensus target of approximately 7,200 for the S&P 500. We assign a 40% probability to this base-case scenario, with details in the following table.

*Using S&P 500 for all references to “index” or “market”

S&P 500 – Probability for Calendar Year 2026

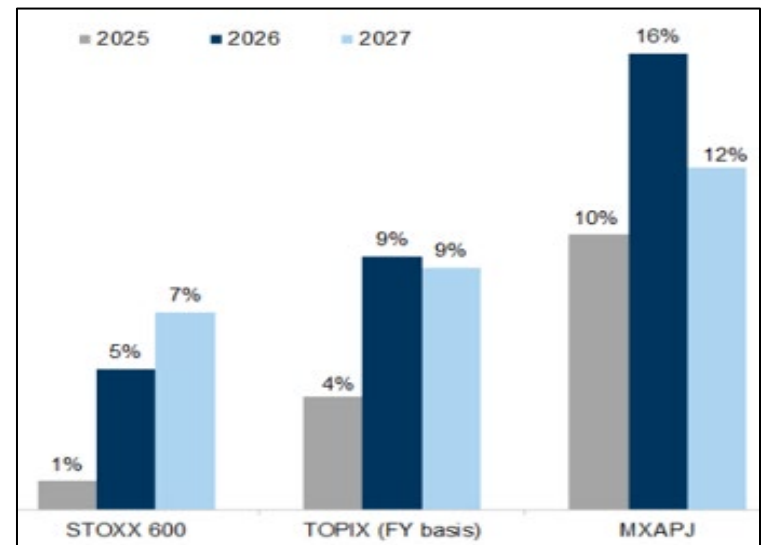
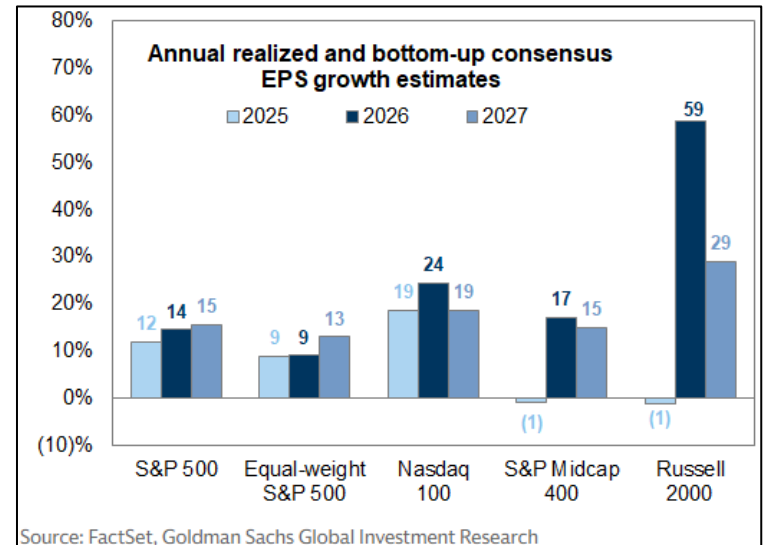
Probability	30%	40% (Base Case)	30%
S&P 500 Index Level	5,760	7,200	7,416
Macro Backdrop	Growth slows materially; fiscal impulse fades; tighter financial conditions weigh on activity.	Growth remains resilient but moderates toward trend; no recession.	Growth re-accelerates above trend; productivity and capex surprise to the upside.
Earnings Outcome	EPS disappoints (flat to low single-digit growth); margins compress modestly.	EPS grows ~14% in line with consensus; margins broadly stable.	EPS exceeds expectations (mid-to-high teens growth); operating leverage improves.
Valuation Framework	2026 Forward P/E compresses to ~18–19x amid risk premium expansion.	2026 Forward P/E remains stable near ~22x; no multiple expansion.	2026 Forward P/E expands modestly to ~23–24x on improved confidence and liquidity.
Policy Environment	Sticky inflation limits Federal Reserve flexibility; rates remain restrictive longer.	Federal Reserve remains broadly accommodative as inflation trends lower.	Easier financial conditions; earlier or deeper rate cuts support multiples.
Credit & Financial Conditions	Credit spreads widen meaningfully; equity risk premium rises.	Financial conditions remain stable; orderly rotation across sectors.	Spreads tighten; liquidity improves; risk appetite strengthens.
Geopolitical Risk	Escalation in geopolitical tensions (energy shock, trade disruption, or military conflict) increases volatility and risk premiums.	Contained geopolitical risks; no major escalation affecting global trade or energy markets.	De-escalation of major geopolitical tensions supports confidence, trade stability, and global growth.

Earnings

- Earnings for U.S. equities are expected to grow 14-15% for CY2026
 - Although superior earnings growth in Tech is expected to continue this year, that growth gap is narrowing relative to the other sectors
 - Mid and Small cap equities are expected to post strong earnings growth in 2026, reversing years of weakness relative to Large cap equities

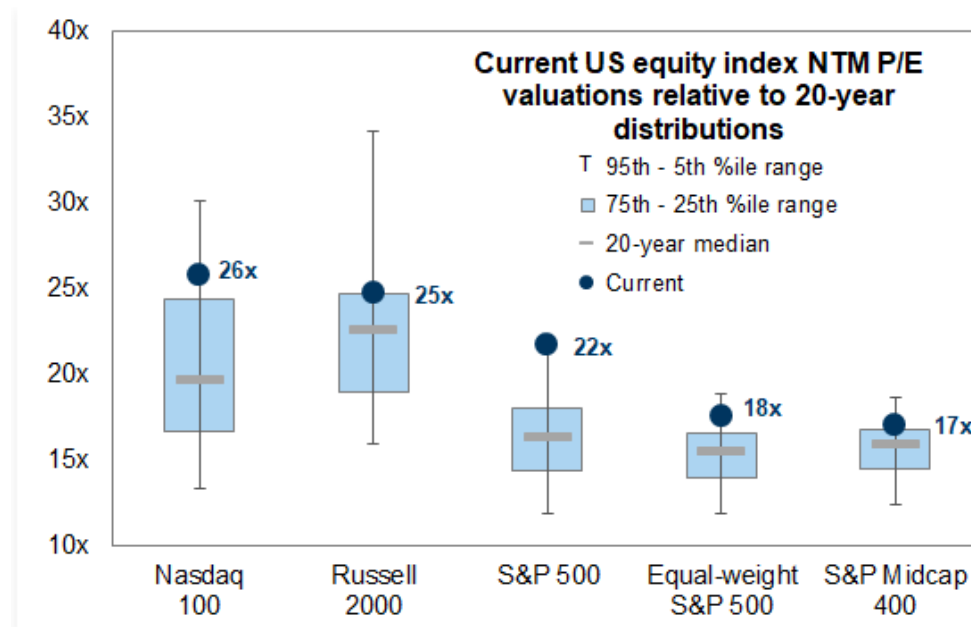
- Earnings for non-U.S. equities are projected to accelerate after several quarters of anemic growth.
 - Emerging markets, in particular, are projected to rival earnings growth in developed markets in 2026/2027.

- Earnings growth may look strong across the globe, but this assumes stability both economically and geopolitically.**



Source: Goldman Sachs

- Concentration within equity indexes, coupled with historically rich valuations, are the key risk to U.S. markets that we're monitoring.
 - The S&P 500 index carries a forward 2026 P/E of 22x, while the equal-weight index is also rich with a forward P/E of 18x.
 - When coupled with the expected strong earnings growth outside of Large Cap equities, we find domestic Mid and Small Cap equities to be more attractive this year.

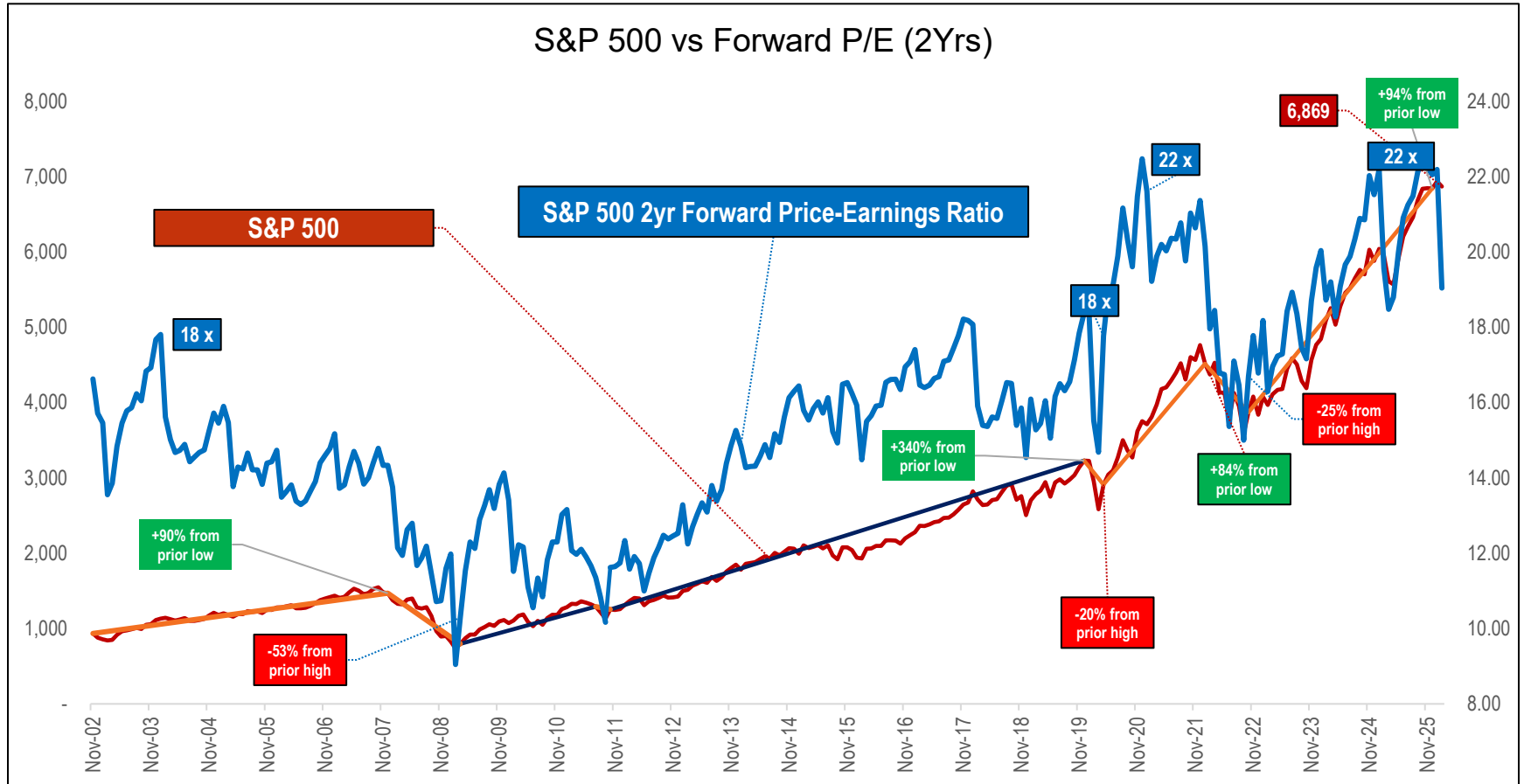


Source: Compustat, FactSet, IBES, Goldman Sachs Global Investment Research

Source: Goldman Sachs

U.S. Market Performance and Valuations

It has been highly rewarding for investors to maintain an optimistic stance toward public equities over the past 25 years, with accumulated performance for the S&P 500 at ~ 843%, which is approximately 9.7% annualized.

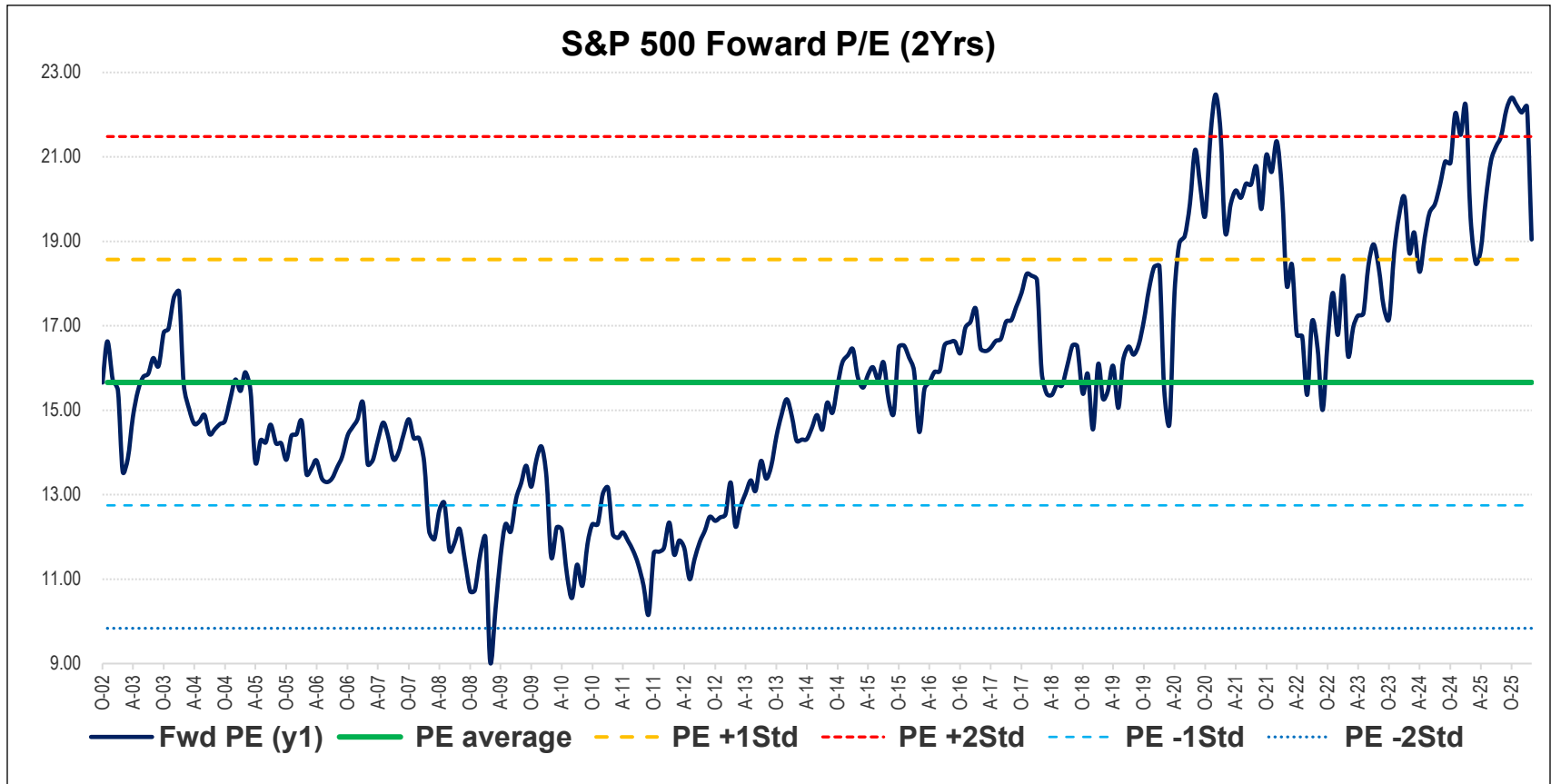


As of February 28, 2026

Historical U.S. Valuation Ranges

Forward P/E's (2-year forward in this case) averaged approximately 16x over past 25 years.

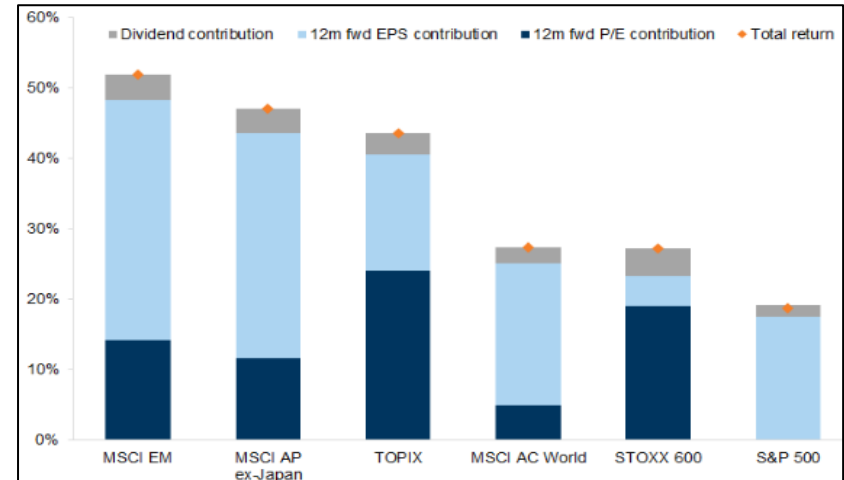
- When valuations are +2 standard deviations above the mean, the market is unable to sustain forward returns, leading to drawdowns/corrections.



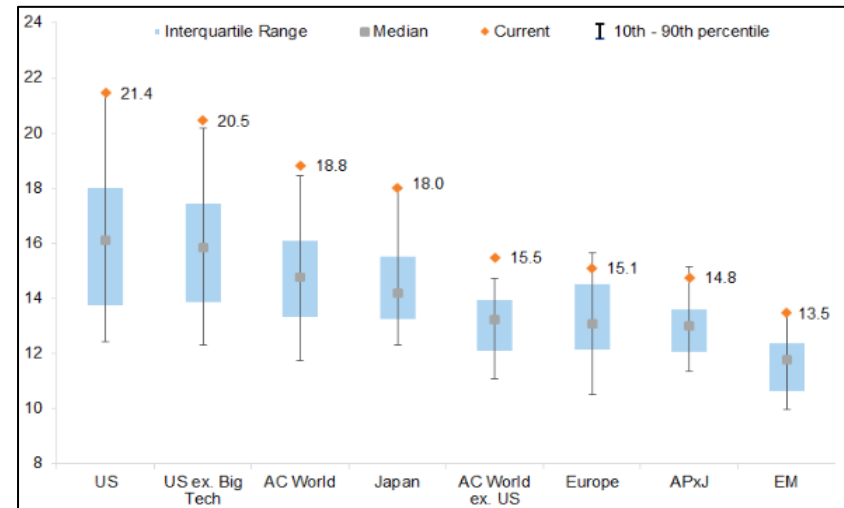
As of February 28, 2026

Global Valuations

- U.S. market valuations (i.e., 1-year forward P/Es) have traded at a premium for several years, but that gap is rapidly closing. Since the start of 2025, *earnings* are driving equity market returns domestically, while *multiple expansion* is driving returns of international equities.



- The multiple expansion in non-U.S. markets leaves us with rich multiples across the globe, relative to 20-year history.



Source: Goldman Sachs

Public Equity Team

Samer Ghaddar, CFA
Deputy Chief Investment Officer

Samer is Deputy Chief Investment Officer with over 20 years of experience. He holds an MBA from Imperial College Business School and an MS in Quantitative Finance from University of London. Samer also holds the Chartered Financial Analyst® designation.



Cole Smith, CFA
Senior Portfolio Manager, Public Equity

Cole has been with the Arizona State Retirement System since 2014 and is currently Senior Public Equity Portfolio Manager. He holds an MBA from Arizona State University as well as the Chartered Financial Analyst® designation.



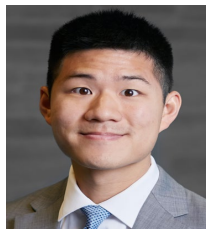
Vicente Federico
Assistant Portfolio Manager, Public Equity

Vicente Federico has been with the Arizona State Retirement System since November 2021 and is currently the Assistant Portfolio Manager for Public Equities. In his role, he assists in the management of the equity index portfolios, as well as trading and execution. In 2010, he received a Bachelor's Degree from The University of Arizona, majoring in Finance.



Bryan Tsiao, CFA
Analyst, Public Equity

Bryan joined the Arizona State Retirement System in 2025 and has 7 years of investment experience. He previously worked as an analyst at Saguaro Capital Management and Vulcan Value Partners. Bryan holds a B.S. in Finance from the University of Alabama as well as the Chartered Financial Analyst® designation.



March 26, 2026

Agenda Item

4b.

Interest Rate Sensitive Asset Class



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Interest Rate Sensitive

John Trusiak, Portfolio Manager





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Performance and Allocation

Interest Rates Sensitive Performance

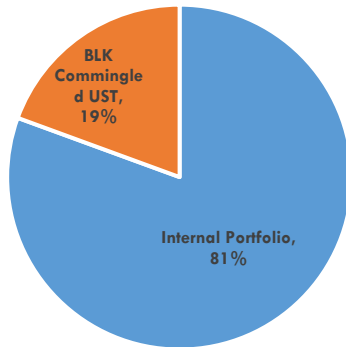
Period Ending 12/31/25	Market Value	YTD	1 Year	3 Years	5 Years	10 Years
Total Interest Rate Sensitive	\$3,730,525,109	2.57	6.53	3.87	-0.82	1.92
Interest Rate Sensitive Benchmark		2.43	6.32	3.62	-1.04	1.66
Excess Returns		0.14	0.22	0.25	0.22	0.26

Note 1: Performance return data provided by NEPC and BNY Mellon.

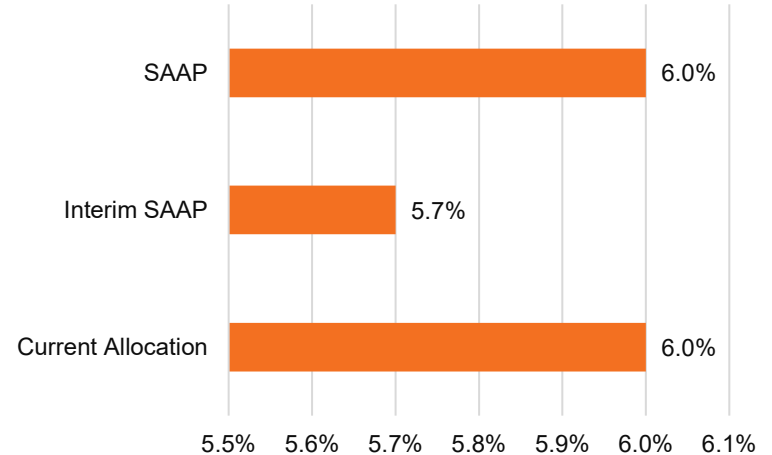
Note 2: The IRS asset class transitioned benchmarks from the BBG US Agg to BBG US Treasury in November 2022.

Note 3: Results are inclusive of the entire IRS Composite (F3 and BLK Commingled Fund).

Interest Rate Sensitive



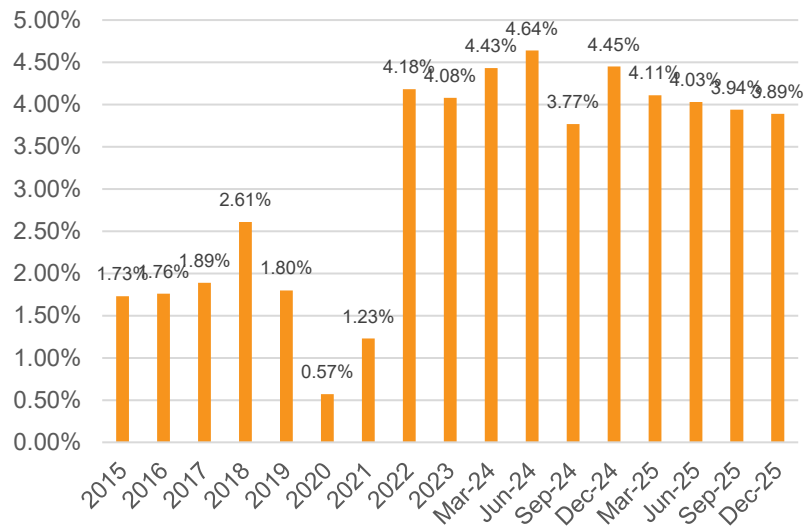
Asset Allocation vs SAAP



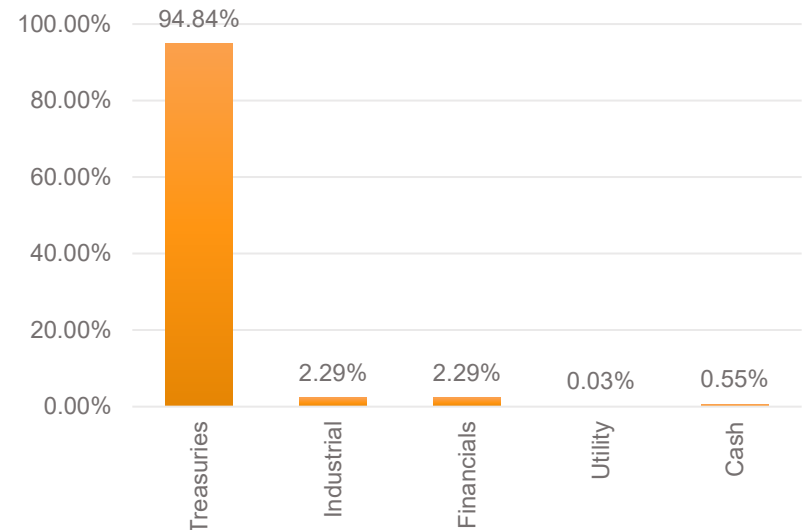
Interest Rates Sensitive Allocation

Portfolio Summary	As of 12/31/25	Vs Prior Qtr	Vs Benchmark
Net Asset Value	\$3,730,525,109	\$1,949,547,505	\$14.22bn
Benchmark	US Bloomberg Treasury Index		
# of Securities	263	249	292
Duration	5.94	5.75	5.81
Yield to Maturity	3.94	3.99	3.89
1 Year Tracking Error	0.16	0.17	N/A

Benchmark Yield to Maturity



Portfolio Sector Weights





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House Views

Interest Rates Sensitive House Views

- Interest Rate Sensitive has outperformed vs the benchmark during the year-to-date fiscal year by 14 basis points. Additionally, over the one-year lookback, the Interest Rate Sensitive asset class has 22 basis points of outperformance vs the benchmark.
- The asset class has returned to its SAA target of 6.0%. During the quarter, the Tactical Asset Allocation Committee decided to reallocate cash from public equities into the Interest Rate Sensitive (IRS) asset class to align the total fund with its Strategic Asset Allocation (SAA) target.
- Interest Rates continue to be volatile, due to Federal Reserve Board signaling and political pressure concerns with the election of the new Fed Chair in 2026. The Interest Rate Sensitive team expects the US Treasury 10-year yield to continue trading in a range of 4.00%-4.50% for the remainder of the calendar year.
 - Interest rates are currently near 12-month lows with expected Federal Reserve rate cuts on the horizon. Futures markets indicate two rate cuts by the Federal Reserve in 2026, even with inflation trending to 3.0% and ongoing geopolitical escalation throughout the Middle East.
- Credit spreads, along with the entire credit market, remain historically tight. The interest rate sensitive team will proceed with caution and only evaluate low duration high grade corporate bonds as part of its non-index securities purchases.

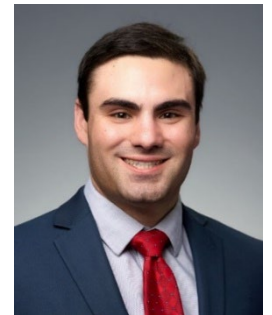
Al Alaimo, CFA
Deputy Chief Investment Officer

Mr. Alaimo is the DCIO for the Arizona State Retirement System where he has worked since 2009. He oversees investments in the Credit and Interest Rate Sensitive asset classes. Previously, he was a Portfolio Manager and Director of Research for Seneca Capital Management LLC in San Francisco and a Managing Director in high-yield bond research for Banc of America Securities LLC in New York and Chicago. From 2010-2013, he taught an undergraduate course on Fixed Income which he created for the Finance Department at the W.P. Carey School of Business at Arizona State University. He has an M.B.A. from the Simon Business School at the University of Rochester and a B.S. in accounting and finance from Syracuse University.



John Trusiak
Portfolio Manager, Interest Rate Sensitive

John is the Portfolio Manager for Interest Rate Sensitive for the Arizona State Retirement System where he has worked since 2022. John is a third generation Arizonan with a background in real estate, credit and private investments. He is a graduate from the W.P. Carey School of Business at Arizona State University. His past work places include work at STORE Capital and SMS Financial. Additionally, he was recently admitted to the Milken Institute's Rising Allocators program, currently on the board of the Risk Management Association – Arizona and also a member of Big Brothers Big Sisters of Arizona.



March 26, 2026

Agenda Item

4c.

Private Equity Asset Class



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Private Equity Asset Class Implementation Plan For CY 2026

Samer Ghaddar, Deputy CIO



Executive Summary – 2026 PE Implementation Plan

- The ASRS private equity portfolio is mature, cash-flow positive, and well diversified across sectors, strategies, and vintages, supported by a broad set of strategic relationships. Excluding the Co-investment program, net cash flow for 2025 is positive.
- As highlighted in the 2025 Implementation Plan, the team is progressing toward its goal of streamlining the platform to roughly 40 strategic partners. We continue to be cautious and highly selective when considering both new relationships and re-ups with existing managers.
- Our approach to new commitments remains disciplined. The team carefully evaluates geographic and sector exposures, along with each manager’s underlying strategy, within a thoughtful portfolio-construction framework. We also rely on advanced tools to assess the consistency of manager performance and their ability to generate outperformance going forward.
- The 2026 Implementation Plan includes \$1.5 billion in new private equity commitments, positioning the portfolio to keep pace with expected total fund growth while aiming for the SAA 13% allocation.
- As in prior years, 30% of 2026 commitments will be directed to co-investments through a separately managed account (SMA). The SMA enhances portfolio construction by broadening geographic, sector, and strategy exposures. It is also designed to enhance portfolio returns, lower total fees – including carried interest – strengthen relationships with strategic partners, generate additional alpha, and support deeper knowledge sharing with a globally scaled investment partner.
- Total commitments for 2025 stood at \$1.4 billion per the approved pacing of 2025. Total number of funds: 9 (all re-ups); co-investments SMA re-up of \$420 million and a new Secondaries SMA at \$250 million



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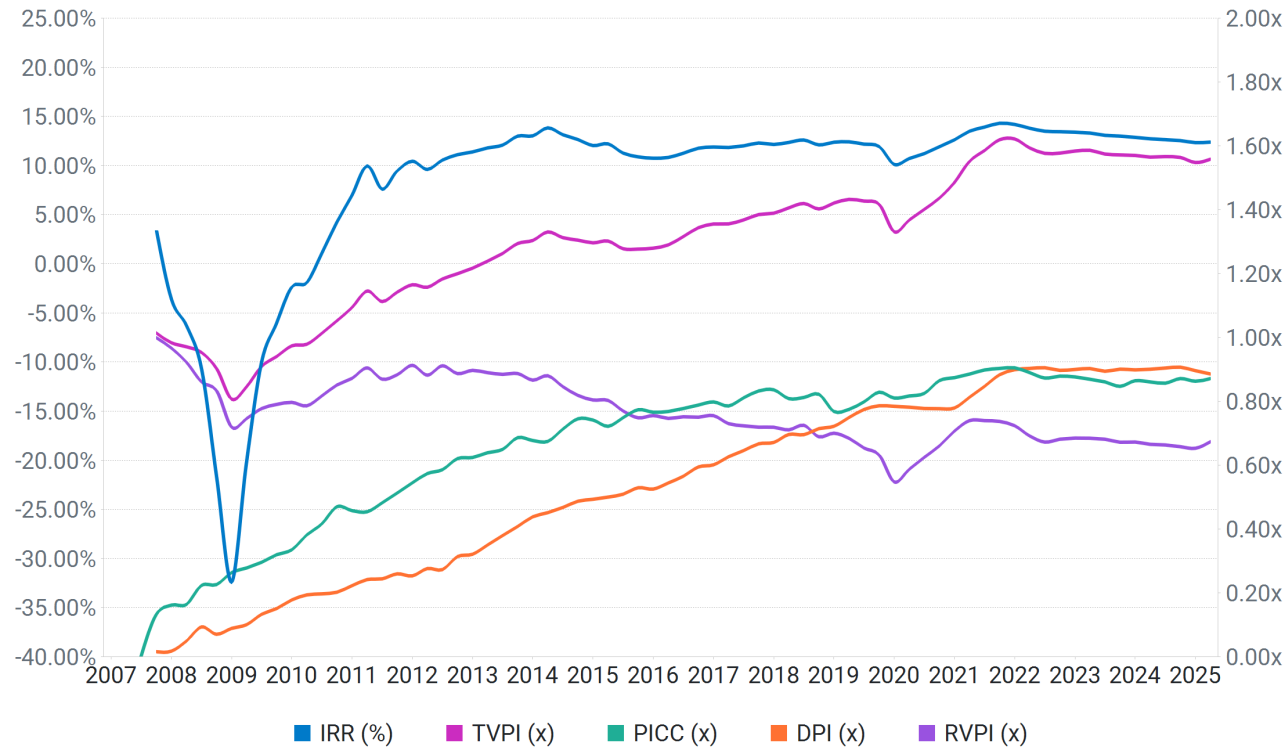
Performance

Private Equity Performance

Time Weighted Returns per Book of Record as of Dec 31, 2025*	Value	3 Months	1 Year	3 Year	5 Year	10 Year	Inception
Private Equity	8,224,181,611	1.93%	8.20%	7.17%	14.42%	12.73%	9.38%
Custom Benchmark		1.50%	2.96%	17.67%	10.72%	10.77%	8.36%
Excess Returns		0.43%	5.24%	-10.50%	3.70%	1.97%	1.02%

Dollar Weighted Returns (IRR) per Book of Record as of September 30, 2025	IRR	3 Months	1 Year	3 Year	5 Year	10 Year	Inception
Private Equity	IRR	2.05%	7.71%	7.35%	14.57%	12.76%	12.28%
MSCI PE North America & Western Europe		1.14%	7.83%	8.95%	14.28%	14.86%	12.25%

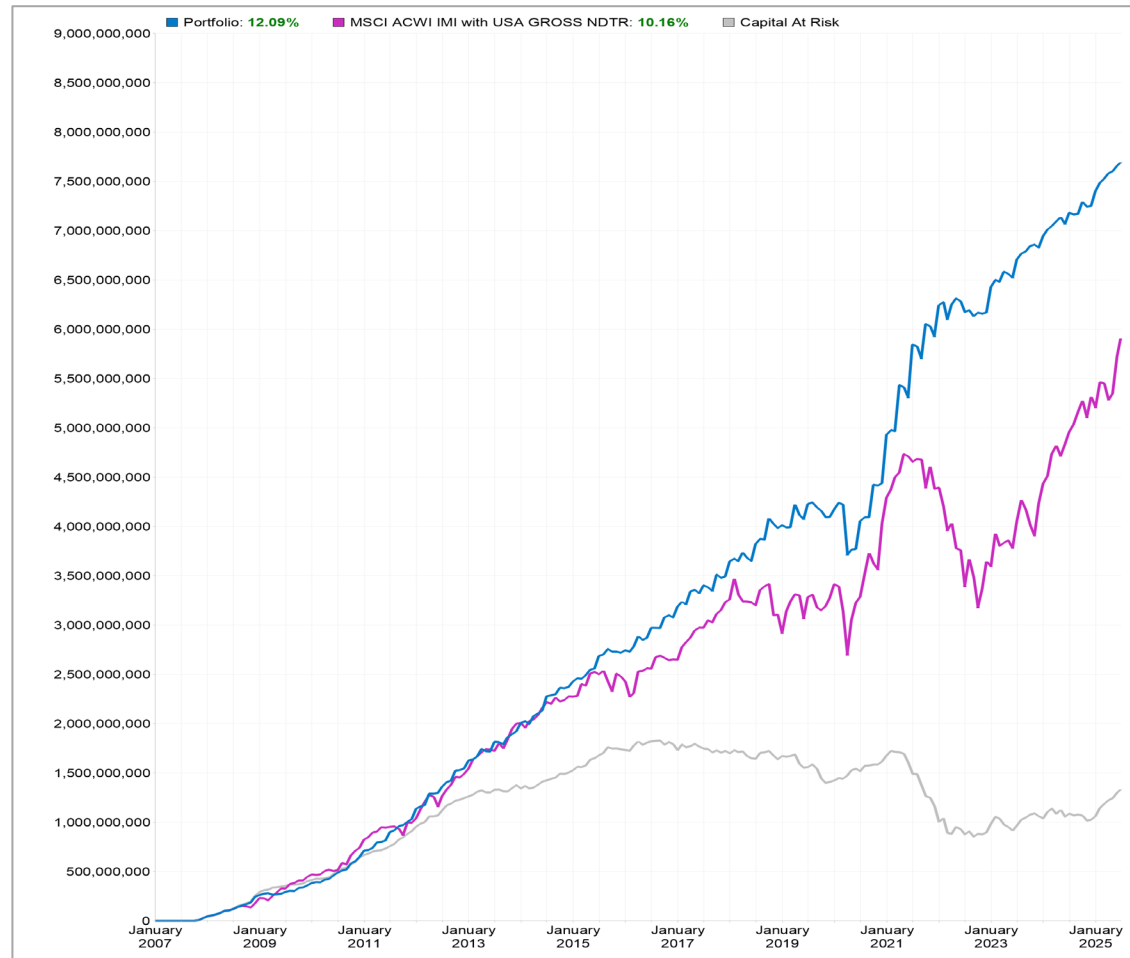
*TWRs include the valuations as of Sep 30, 2025, plus the cash flows up to Dec 31, 2025



As of 30-June-2025

ASRS Private Equity Portfolio Performance History

PME Multiples vs MSCI ACWI (as of June 30, 2025). This approach allows us to evaluate, on a like-for-like basis, whether the private equity program has generated true excess returns above what public markets could have provided. As shown in the chart below, the ASRS portfolio has outperformed public equities over the long term by roughly 200 basis points per year.





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Historical Performance by Vintage

Vintages – Portfolio Summary (Millions USD)

ASRS Private Equity Portfolio Aggregate Performance by Vintage Year vs.
Cambridge Associates Benchmarks (USA & Dev. Europe – Buyout/Growth and USA – Buyout)

Vintage	ASRS ITD Net IRR	Cambridge Associates USA & Dev Europe - Buyout/Growth Quartiles	Cambridge Associates USA - Buyout Quartiles	Vintage	ASRS Net TVPI	Cambridge Associates USA & Dev Europe - Buyout/Growth Quartiles	Cambridge Associates USA - Buyout Quartiles	Vintage	ASRS Net DPI	Cambridge Associates USA & Dev Europe - Buyout/Growth Quartiles	Cambridge Associates USA - Buyout Quartiles
2006	5.85%	3rd	3rd	2006	1.30x	3rd	4th	2006	1.25x	3rd	4th
2007	10.75%	3rd	3rd	2007	1.65x	3rd	3rd	2007	1.63x	3rd	3rd
2008	11.40%	3rd	3rd	2008	1.54x	3rd	3rd	2008	1.48x	3rd	3rd
2009	9.92%	4th	4th	2009	1.52x	4th	4th	2009	1.37x	4th	4th
2010	14.15%	3rd	3rd	2010	1.73x	3rd	4th	2010	1.66x	3rd	3rd
2011	10.42%	4th	4th	2011	1.53x	4th	4th	2011	1.39x	4th	4th
2012	1.59%	4th	4th	2012	1.06x	4th	4th	2012	0.90x	4th	4th
2013	12.32%	3rd	3rd	2013	1.64x	3rd	3rd	2013	1.43x	3rd	3rd
2014	11.68%	3rd	3rd	2014	1.69x	4th	3rd	2014	1.26x	3rd	3rd
2015	12.82%	3rd	4th	2015	1.59x	4th	4th	2015	1.15x	3rd	4th
2016	16.47%	3rd	3rd	2016	2.01x	2nd	2nd	2016	1.06x	3rd	3rd
2017	18.43%	3rd	3rd	2017	1.89x	3rd	3rd	2017	1.19x	2nd	2nd
2018	17.86%	2nd	2nd	2018	1.82x	2nd	2nd	2018	0.67x	2nd	2nd
2019	16.53%	2nd	2nd	2019	1.59x	2nd	2nd	2019	0.47x	2nd	2nd
2020	11.25%	3rd	3rd	2020	1.38x	3rd	3rd	2020	0.17x	2nd	2nd
2021	8.98%	2nd	3rd	2021	1.21x	3rd	3rd	2021	0.07x	2nd	2nd
2022	11.71%	2nd	2nd	2022	1.18x	2nd	3rd	2022	0.05x	1st	2nd
2023	15.22%	2nd	2nd	2023	1.11x	2nd	2nd	2023	0.03x	1st	1st
2024	37.43%	1st	1st	2024	1.21x	1st	1st	2024	0.04x	1st	1st
2025	n/m	-	-	2025	n/m	-	-	2025	n/m	-	-
Total	12.30%	3rd	3rd	Total	1.55x	3rd	3rd	Total	0.89x	2nd	3rd



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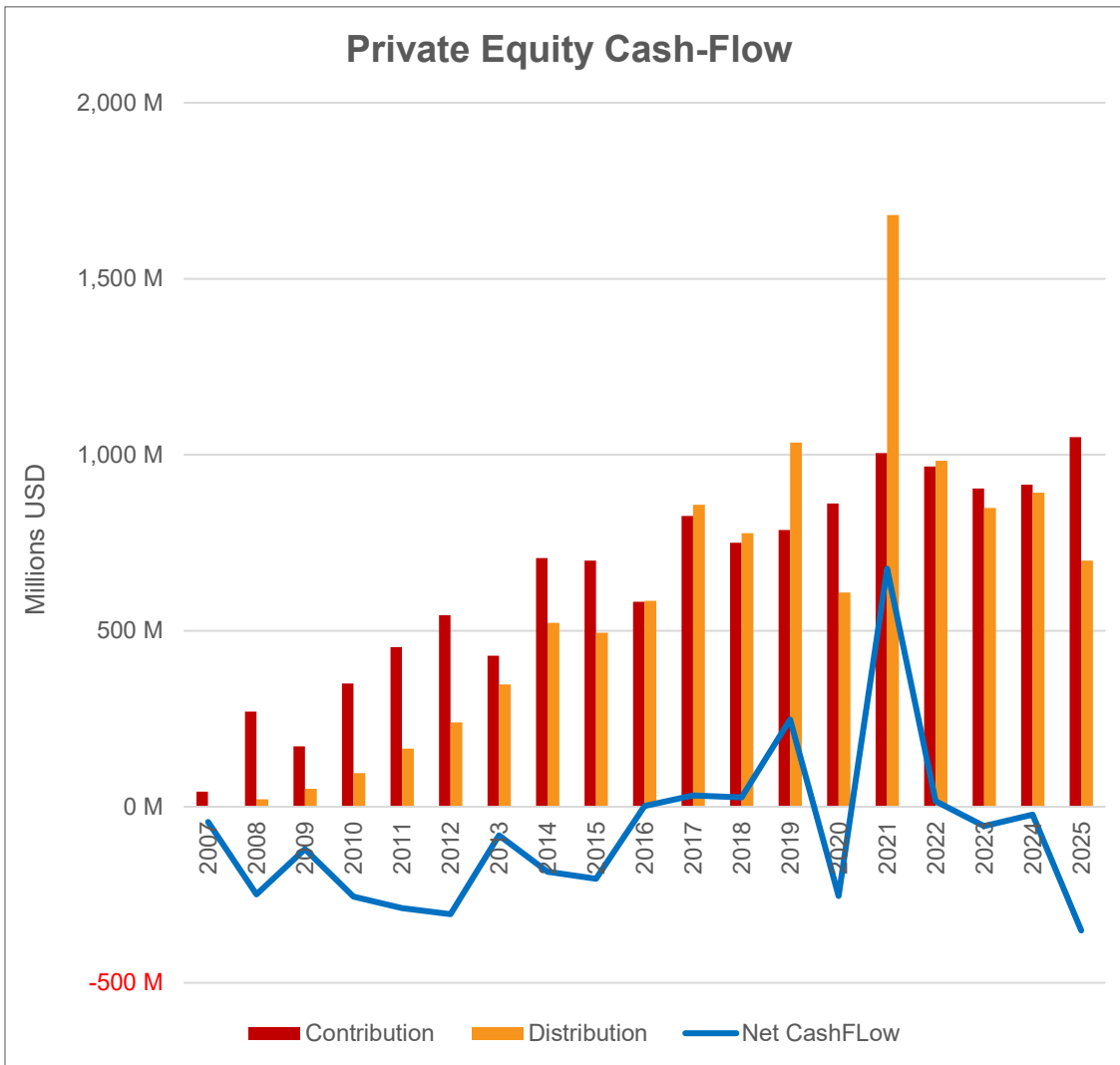
Historical Cash flow



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Portfolio turned net cash positive in:

Private Equity Cash-Flow



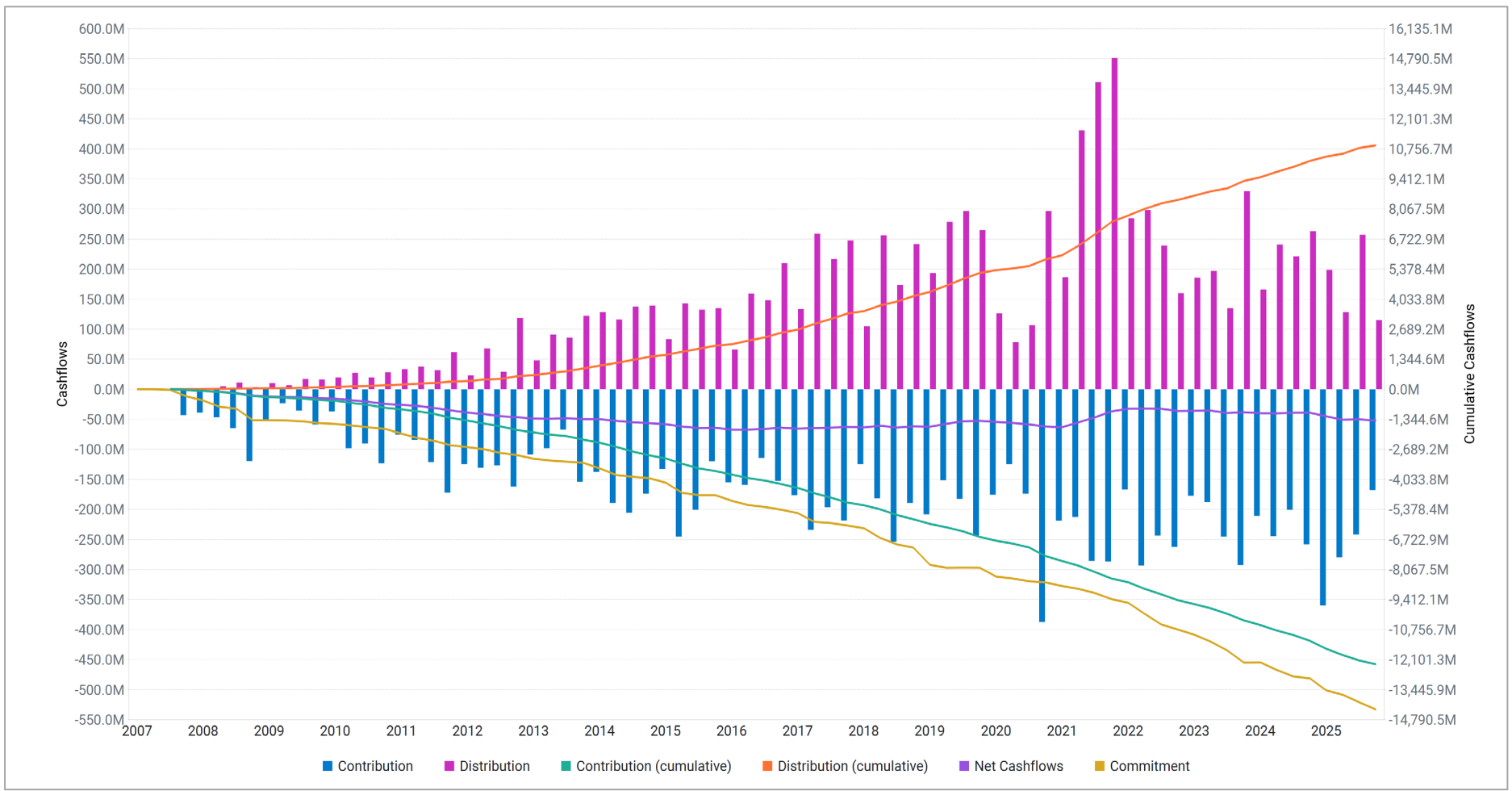
- ASRS maintains a mature private equity portfolio with a net cash-positive allocation, broadly diversified across sectors, strategies, and vintages, supported by a range of strategic relationships.
- The Private Equity team remains on track to reduce the number of strategic partners to 40 managers while simultaneously implementing strategic adjustments in geographical, sectoral, and strategic exposures.
- The slight net negative cash flow for 2023–2025 is driven by the ramp-up of the co-investment SMA, which draws down ~80% of the capital in the same year commitments are made – unlike typical fund investments that deploy capital over an average of five years. Excluding the Co-investment program, net cash flow for 2025 is positive.

* As of Nov. 15th, 2025



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Portfolio cash flows since inception:





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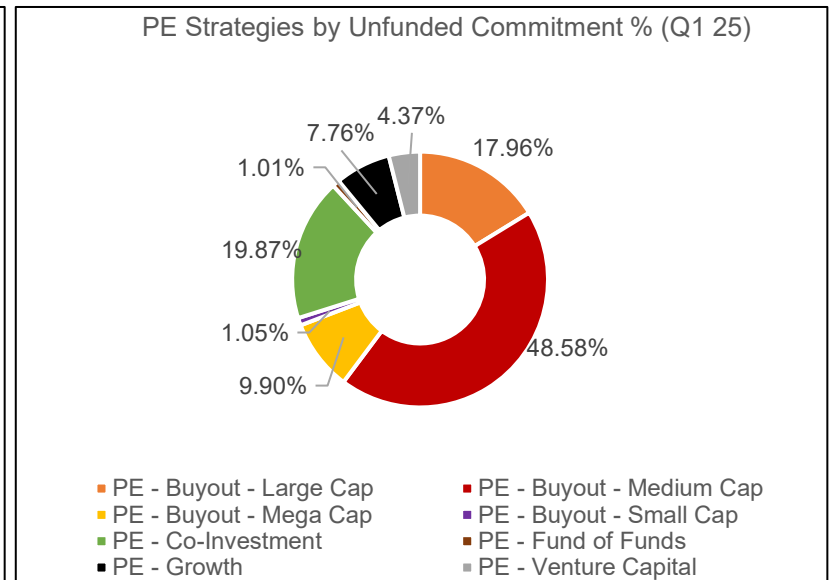
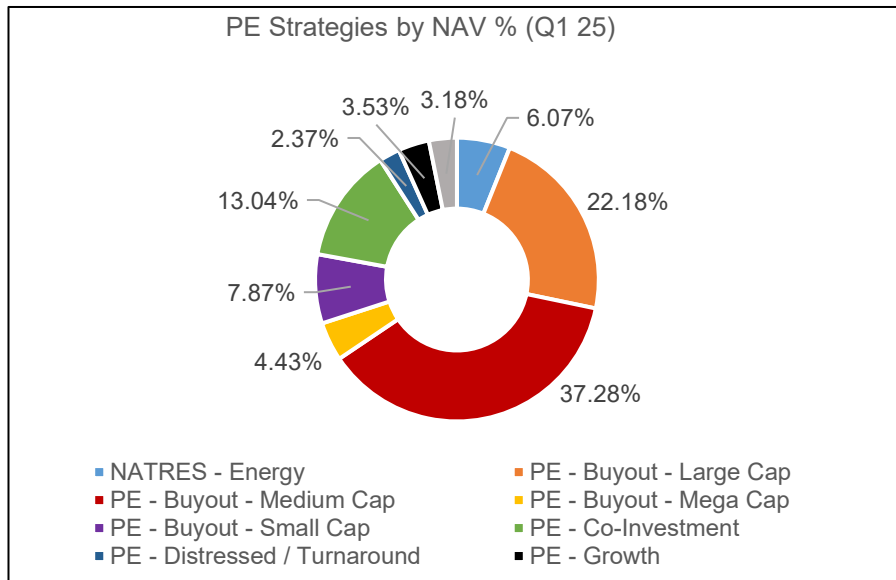
Portfolio Exposure

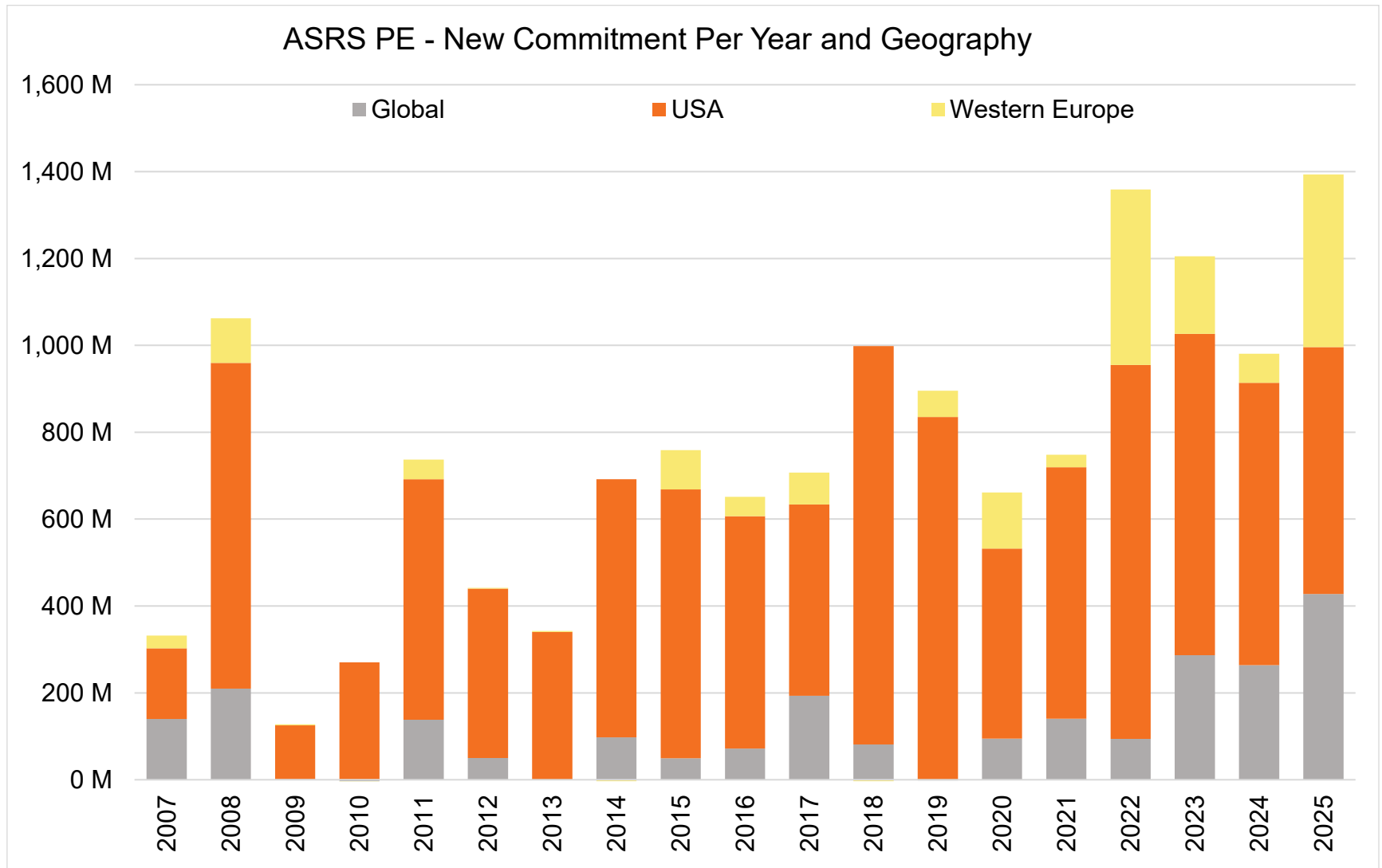
The first graph below shows NAV by strategy:

- Medium “Mid-Market” Buyouts 37.28%
- Large Buyouts 22.18%
- Small Cap Buyouts 7.87%
- Growth Equity 3.18%
- Co-investment 13.04%
- Co-investment 13.04%

The second graph below shows Unfunded Commitment by strategy:

- Medium “Mid-Market” Buyouts 48.58%
- Large Buyouts 17.96%
- Growth Equity 7.76%
- Co-investment 19.87%



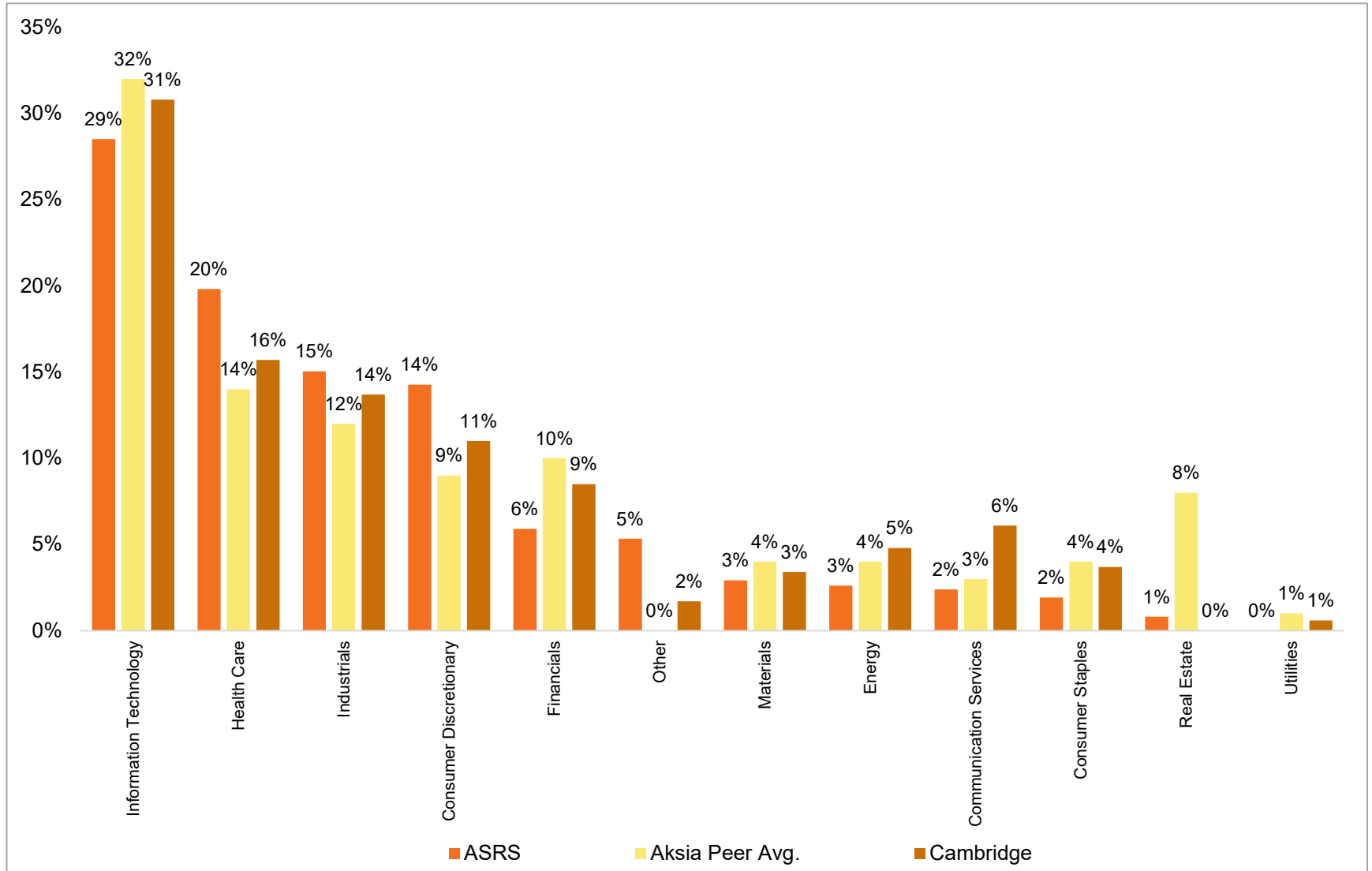




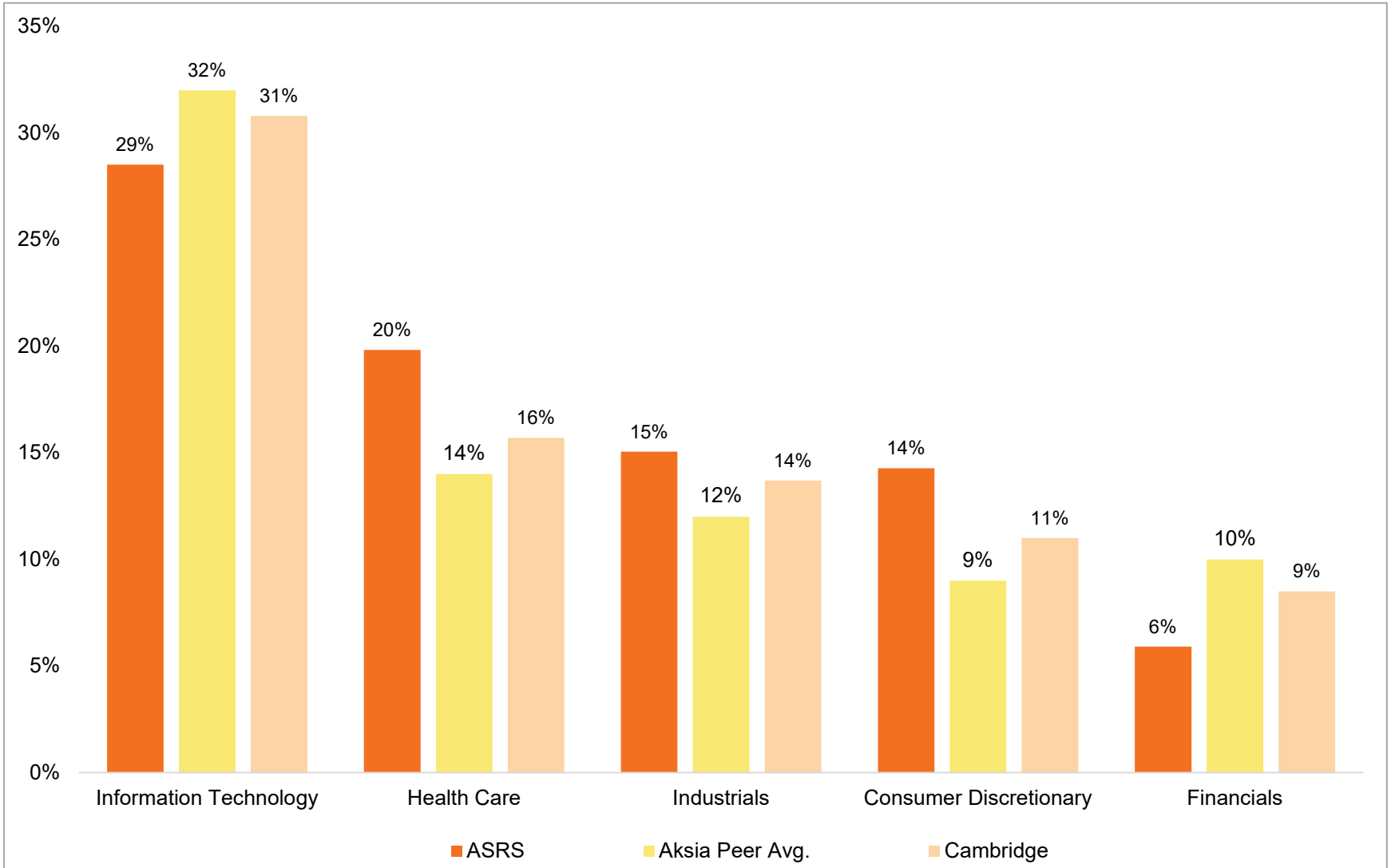
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2025 Review

ASRS Private Equity Portfolio Fair Market Value by GICS Sectors



ASRS Private Equity Portfolio Fair Market Value by GICS Sectors (Top Five Sectors)





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Private Equity House Views

Private Equity House Views for 2026

The private equity team still believes that the middle market and lower-middle market represent a "sweet spot," as this segment offers attractive opportunities due to strong underlying business fundamentals, the potential for operational value creation, additional exit opportunities, and higher return prospects. Through our systematic underwriting of potential commitments to both new and existing GPs, we have continued to prioritize the following:

- **Sector-Focused Strategies:** We prefer sector-focused managers and strategies. When these are not available, we consider well-focused multi-sector managers and strategies, provided the managers have dedicated investment teams specializing in those segments. Further, Technology, Industrials, alternative Energy infrastructure, and certain areas within healthcare (i.e., products, devices, digital health, technology, & insurance) remain focus sectors given long-term secular trends.
- **Operational Value-Added Approaches:** Strategies focused on operational improvements rather than financial engineering are a continued primary focus. EBITDA growth and margin improvement of portfolio companies is evaluated as part of our due diligence underwriting process. We prefer managers that do not underwrite valuation and/or multiple expansion into their base case scenario.
- **Geographical Focus:**
 - North America: The region remains highly attractive, especially the U.S., for its robust economy, innovation, and capital markets depth. Further, most of our European partners have operations in North America and invest in Transatlantic businesses.
 - Our European partners invest approximately 25% of their transactions in North America which enables us to harvest cross-continental opportunities.
 - Western Europe: We continue to value the partnership with managers who can replicate the success of sector-specific and operational strategies from the U.S. while leveraging local expertise and a "boots on the ground" presence to invest effectively across the European continent.
 - European valuation multiples continue to trade at a slight discount to those in the U.S. and remain attractive for investment.

These core markets for private equity have structurally favorable investment landscapes, thanks to the business-friendly environments and established legal frameworks found in North America and Western Europe.

Private Equity House Views for 2026

Private Equity outlook for 2026 is cautiously optimistic characterized by the following potential themes:

- Improving Exit Environment: PE exit activity bounced back in 2024 and is expected to secure another year of recovery in 2025, with growth in both exit value and exit count. When all is said and done, 2025 will be the second consecutive year that sees Y-o-Y growth in PE deal activity. Through October 2025, the US PE ecosystem saw 7,370 deals announced or completed, worth an aggregate value of \$969.8 billion. With regards to exits, Through the end of October 2025, there have been **1,300 exits** for an aggregate of **\$621.7 billion** including estimates, versus **1,369 exits** worth **\$379.6 billion** in 2024¹. We expect exit activity in 2026 to follow the elevated levels of activity we've seen in the market recently combined with robust performance of public markets.
 - M&A activity has strengthened in Q3 2025 to reach its highest level since the peak of **2020/2021**. M&A activity is expected to remain strong in 2026 driven by greater market stability and renewed corporate confidence
 - Valuation gap between buyers and sellers has continued to narrow, with more reasonable valuations across various segments of PE
 - IPO activity gaining momentum with potential for further improvement
 - Despite exit activity picking up, it remains muted relative to overall PE net asset values, which currently stands at ~13% of Distributions-to-NAV ratio, compared to a historical PE average of ~20% Distributions-to-NAV ratio
- Markets will likely remain bifurcated: Well-managed, high-quality assets command a valuation premium, whereas weaker companies in less stable sectors, or over-leveraged ones have trouble transacting at par, if at all
 - Valuation multiples for PE are now broadly consistent with pre-pandemic norms²
- GPs that execute successfully on operational value creation opportunities will continue to perform better:
 - We anticipate “Operational excellence” and real operational improvements will continue to drive the vast majority of overall PE returns going forward given potentially flat to slightly declining multiples over the medium term
 - Leverage is less attractive than it once was in PE as a return driver, and the private equity team takes this into consideration seriously as well as attribution of GP's returns to other return drivers including but not limited to revenue effect, margin effect, multiple effect, and FX effect (if any)
- Middle Market and Lower-Middle Market PE Firms are differentiating themselves through specialization, agility, deep sector expertise, and demonstrating a “right-to-win” deals

Private Equity House Views for 2026

- PE Secondaries ecosystem is maturing and redefining private market liquidity. The PE Secondaries market is expected to remain strong in 2026:
 - PE Secondary market transaction volume has increased rapidly, driven by multiple factors including increased fundraising, broader acceptance/participation, and secondary market maturation
 - 2025 is on pace to be a record-breaking year for PE Secondary market transaction volume, with a significant increase in deal activity thus far YoY relative to 2024 (which was a record-breaking year in itself)
- Continuation Funds have ascended as a solution for sponsors to create value for their top performing assets while providing investors with the option for near-term liquidity:
 - Through the end of October 2025, there were approximately 133 PE continuation fund-related exits globally, already surpassing the 124 seen in all of 2024 and setting yet another record for activity. These exits, when including extrapolated values for nondisclosed transactions, total \$80.1 billion, which is also a record¹
 - As traditional PE exit lanes reopen (exits to sponsors and corporates/strategic buyers), the demand for alternative liquidity solutions such as continuation funds will begin to decline; however, continuation funds could still see robust activity, but 2025 will likely be the peak of such activity¹
 - Secondaries managers have raised a substantial amount of capital in recent years, which can further support continuation fund activity¹
- Continuation Funds have increased greatly the past few years and especially thus far in 2025, driven by:
 - GPs wanting to hold 'Crown Jewel assets' (i.e. trophy assets) for their next phase of growth
 - LPs desire to generate liquidity
 - Infuse follow-on capital into aging portfolio companies and/or provide a liquidity solution
- Despite record level of PE secondary dry powder (uncalled capital) available today, the GP-led secondary market remains undercapitalized as supply continues to outpace capital formation, leading to strong deal flow for CV investors
 - We believe single-asset CVs are generally more favorable than multi-asset CVs, and offer a greater alignment of interests

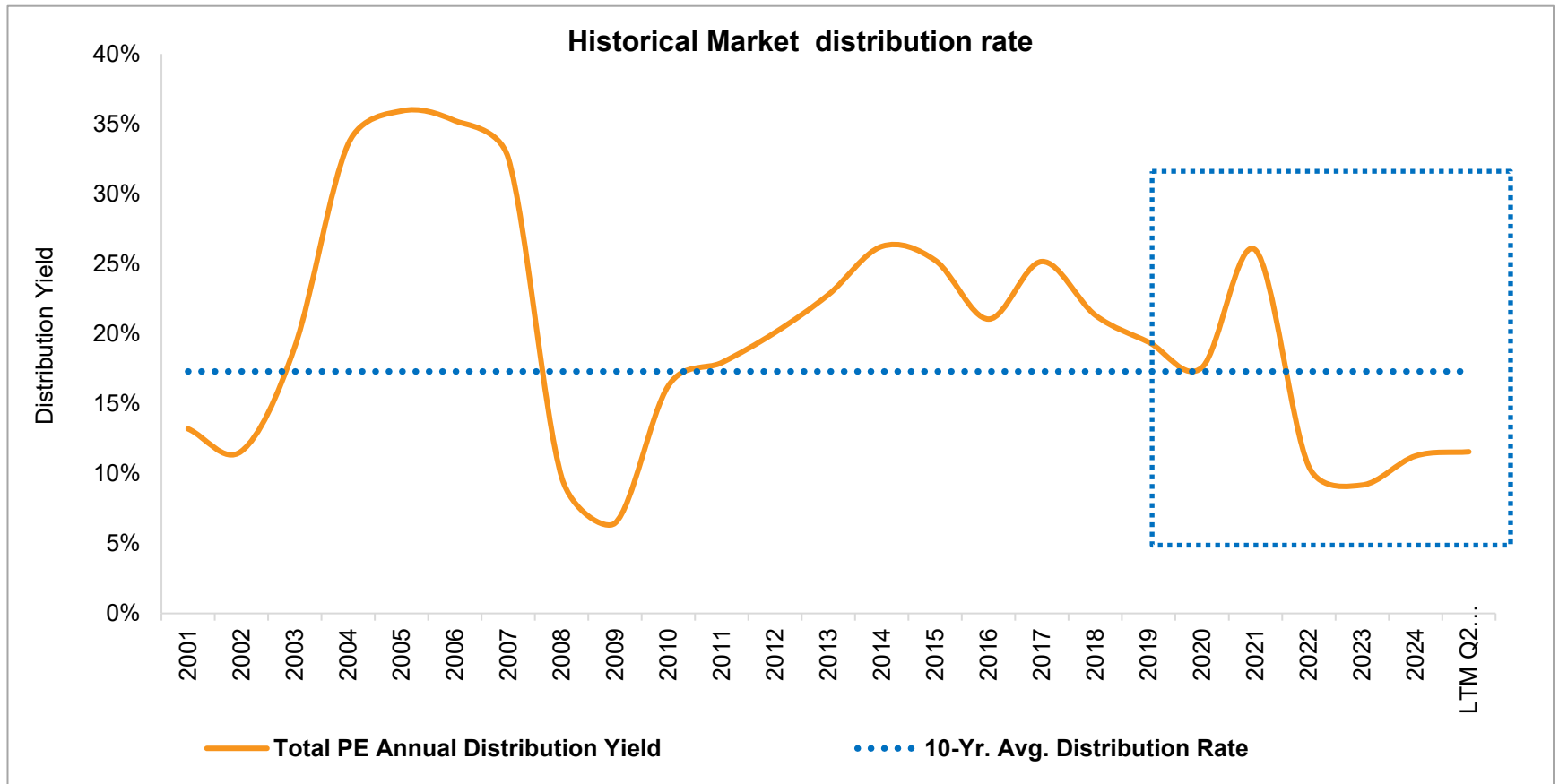
Private Equity House Views for 2026

- Median hold times for US PE-backed companies continues to trend downward from its 2023 peak when it recorded a seven-year median. Since then, it has fallen to a median hold time of six years as exit activity has improved, but it remains above the pre-pandemic median of **5.2 years**¹
- IPO window should reopen slightly but remain highly selective, likely favoring companies with exposure to sectors with regulatory support²
 - Ai, Crypto, FinTech, Defense, and Space are sectors which have benefited from policies this past year²
 - Recent wave of IPOs appears to be opportunistic rather than a systemic reopening
 - IPO market will remain subject to potential for macro shock and/or market volatility
 - VC's largest startups are expected to remain private, buoyed by substantial capital reserves and tender offers, which could limit the upside in IPO exit value in 2026
 - An increasing number of private companies are restricting secondary transactions for their shares²
 - With the longest US government shutdown only ending in mid-November, IPO momentum is unlikely to pick back up until Q1 2026 as the SEC struggles through the pileup of paperwork³
- Fundraising: The US PE fundraising environment remains subdued as weak exit activity and slow distributions to LPs disrupt the capital formation process³
 - Highly competitive environment with many firms taking longer to reach final closes
 - Many LPs are consolidating the number of PE managers they commit capital to given limited capital availability
- Diversification in private equity among investors and new fund structures expanding access, with regulatory changes enabling broader participation for investing in private assets
 - Growing accessibility of private equity through 401(k) and Evergreen funds
 - Certain Private Equity GPs have been expanding fundraising efforts across distribution channels. Many by fundraising directly to retail investors through RIAs, Financial Advisors, and other Wealth Management intermediaries. In some cases, through M&A to build scale
 - Growth of semi-liquid PE products to retail investors as well, as private assets become a key component of a whole portfolio strategy for more investors globally
 - Semi-liquid and Evergreen funds for private wealth investors raised \$86.4 billion in the first half of 2025, a YoY increase of more than 50% from the **\$57.4 billion** raised through June 2024¹
- Potentially Stabilizing Interest Rates: With the Federal Reserve cutting rates with a projected 2-3 cuts of 25bps in 2026, this would lower borrowing costs and enhance deal-making and transaction activity

Private Equity House Views for 2026

Market distribution rate

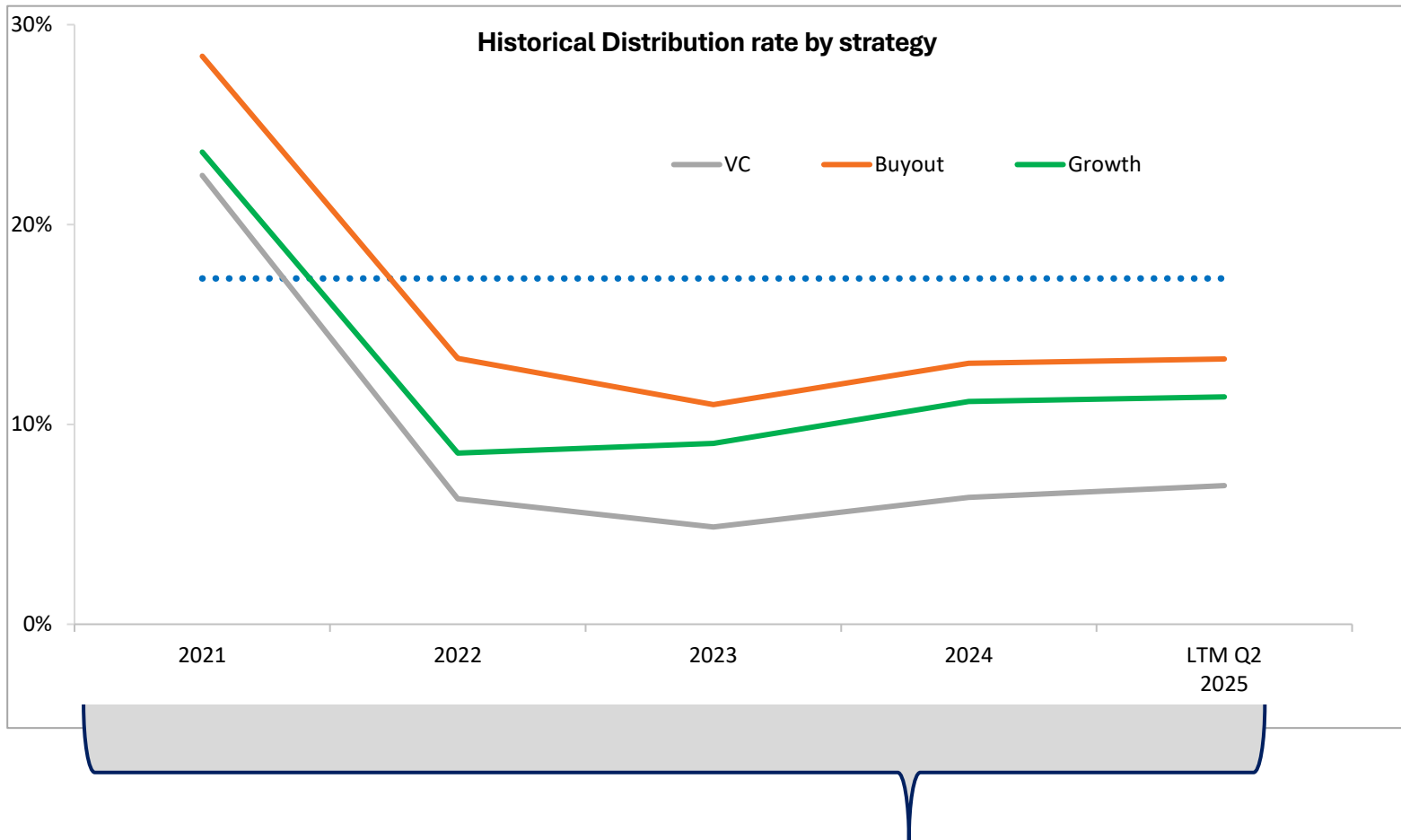
Exits are showing signs of improvement and are expected to continue strengthening in 2026. After reaching a low of 11% of NAV, the level has now increased to 13%.



Private Equity House Views for 2026

Distribution rate by strategy

The recovery in distributions is being led by buyout strategies, followed by growth equity, while venture capital remains at the lows observed in 2023.



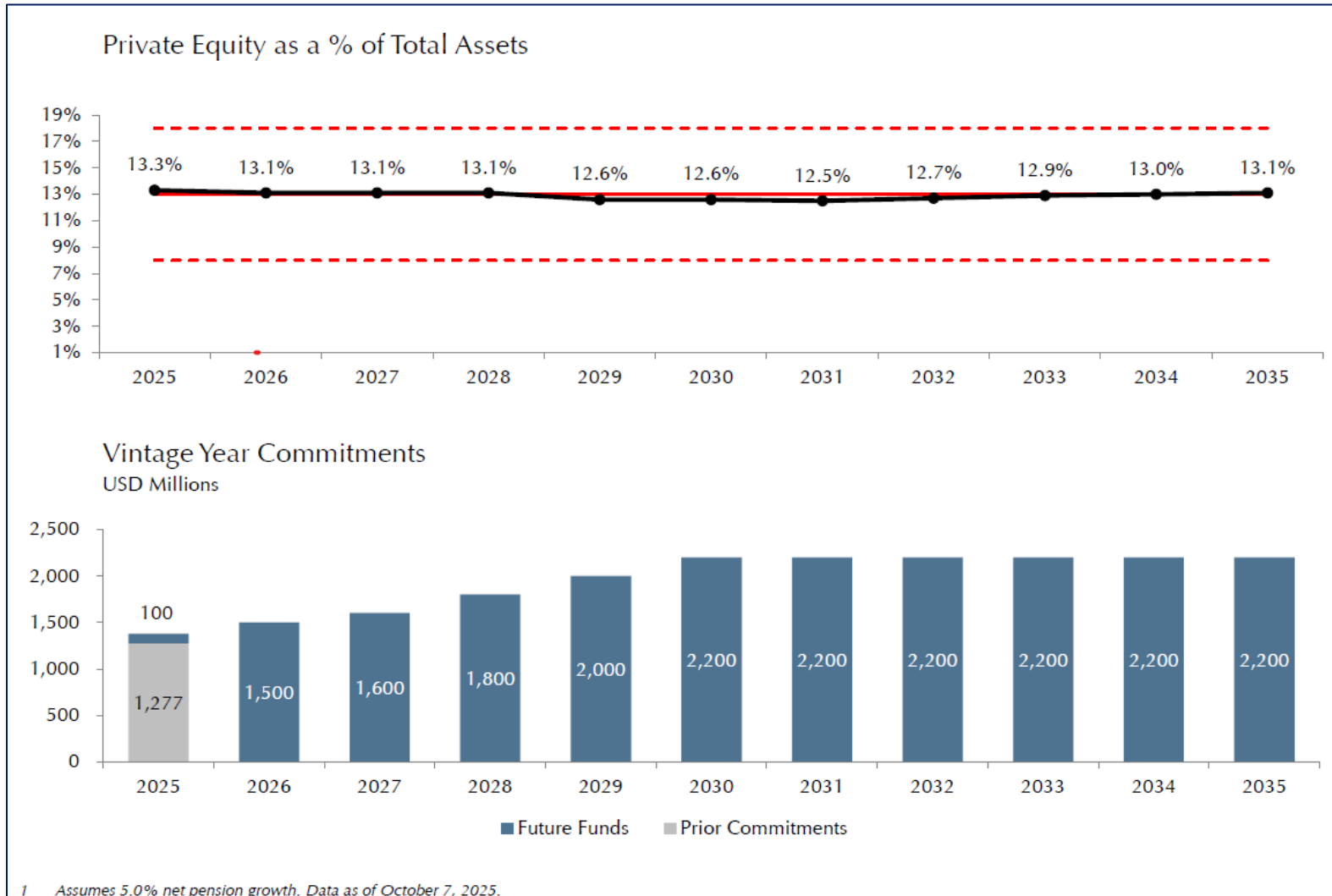


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Pacing Model

Private Equity Pacing Model for 2026

Investment Pacing – Base Case – Slower Distributions¹



¹ Assumes 5.0% net pension growth. Data as of October 7, 2025.

Private Equity Pacing Model for 2026

Projected Cash Flows 2025-2035

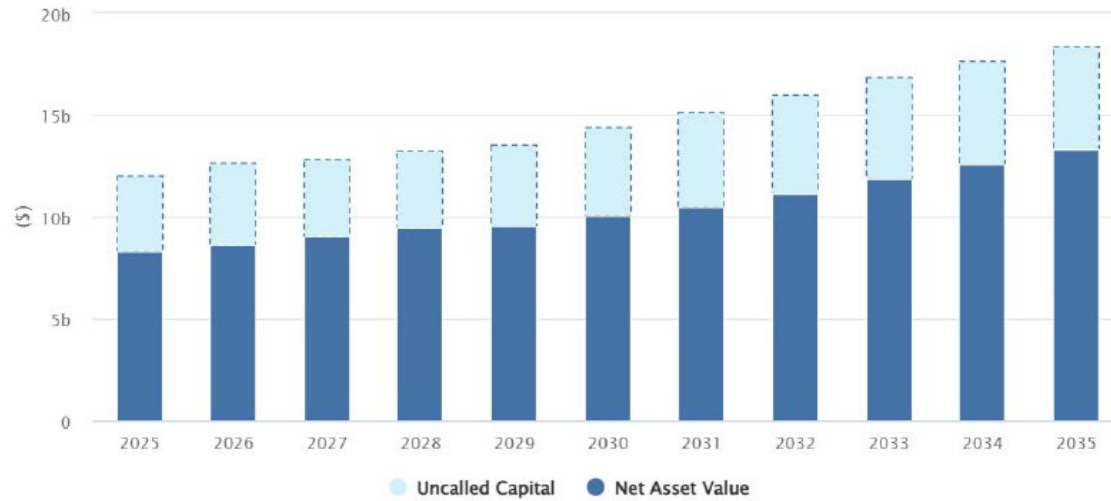
USD Millions

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Cash Flow Summary											
Vintage Year Commitments	1,377	1,500	1,600	1,800	2,000	2,200	2,200	2,200	2,200	2,200	2,200
Cash Flow Summary											
Contributions	-1,059	-1,055	-1,729	-1,781	-1,759	-1,788	-1,884	-1,991	-2,076	-2,130	-2,161
Distributions	959	1,325	1,866	2,533	2,921	2,476	2,784	2,764	2,820	3,011	3,109
Net Cash Flow	-99	270	136	752	1,162	688	901	772	744	881	948
Net Asset Value Summary											
Private Equity Net Asset Value	8,342	8,604	9,028	9,491	9,550	10,078	10,508	11,135	11,889	12,610	13,366
Total Plan Assets	62,506	65,632	68,913	72,359	75,977	79,776	83,764	87,953	92,350	96,968	101,816
PE NAV/Total Plan Assets	13.3%	13.1%	13.1%	13.1%	12.6%	12.6%	12.5%	12.7%	12.9%	13.0%	13.1%
Additional Exposure											
Uncalled Capital	3,679	4,042	3,797	3,775	3,971	4,357	4,667	4,865	4,982	5,041	5,076

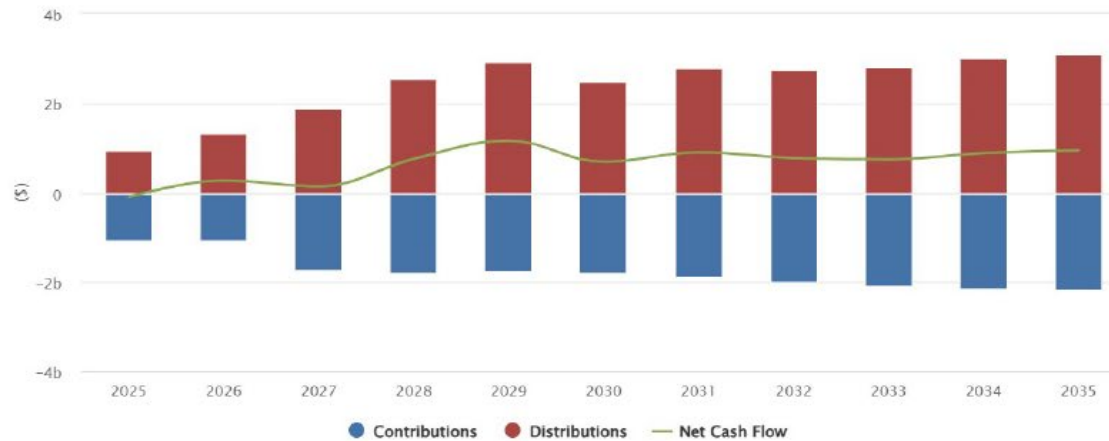
¹ Assumes 5.0% net pension growth. Data as of October 7, 2025.

Private Equity Pacing Model for 2026

Net Asset Value and Uncalled Capital



Cash Flows



¹ Assumes 5.0% net pension growth. Data as of October 7, 2025.

Pacing Model Assumptions – Private Equity

- Aksia’s model uses actual holding level historical cash flows and then employs multiple variables as inputs to project future capital calls, distributions and net asset values, allowing for the projection of an annual pacing commitment target.
- Existing investments incorporate actual investment and harvest periods and other terms (when available). For new and existing investments, the model generally uses default sector-level assumptions for forward-looking annual growth, cash interest, and annual contribution and distribution percentages. Additional adjustments may be made on a fund-by-fund basis.
- Aksia stands ready to run this pacing analysis using other assumptions upon request.

	Annual Growth	Investment Period	Harvest Period
Private Equity Sector			
Growth Equity	16.5%	5 years	10 years
Venture Capital	17.0%	5 years	12 years
Buyouts	16.0%	5 years	10 years
Distressed-for-Control & Special Situations	15.0%	6 years	10 years
PE Fund-of-Funds	12.0%	4 years	14 years
PE Secondaries Fund	16.0%	4 years	12 years
PE Co-Investment Fund	16.0%	5 years	10 years
PE Co-Investments	16.0%	1 day	6 years

	Annual % Contribution ¹	Annual % Distribution ²
Private Equity Sector		
Growth Equity	20, 30, 40, 45, 45	0, 5, 5, 10, 10, 15, 25, 35, 35
Venture Capital	15, 30, 45	0, 0, 5, 10, 10, 15, 20, 25, 40
Buyouts	15, 25, 35, 45	0, 5, 5, 10, 15, 20, 30, 30, 30
Distressed-for-Control & Special Situations	15, 30, 35, 35, 50	0, 5, 10, 10, 20, 20, 30, 30, 30
PE Fund-of-Funds	10, 15, 25, 30	0, 5, 5, 10, 10, 15, 15, 20, 30
PE Secondaries Fund	15, 20, 30	0, 15, 15, 20, 25, 30
PE Co-Investment Fund	15, 25, 35, 45	0, 5, 5, 10, 15, 20, 30, 30, 30
PE Co-Investments	100	0, 0, 0, 0, 0

¹ Annual contribution rates are expressed as a percentage of unfunded capital. Annual contribution rates assume a continuation of the last value shown until the end of the term.

² Annual distribution rates are expressed as a percentage of unrealized value. Following the last value shown, annual distribution rates assume a steady rise to 100% at the end of the term.

Private Equity Team

Samer Ghaddar, CFA
Deputy Chief Investment Officer

Samer is Deputy Chief Investment Officer with over 20 years of experience. He holds an MBA from Imperial College Business School and an MS in Quantitative Finance from University of London. Samer also holds the Chartered Financial Analyst® designation.



Mike Copeland, CFA. Senior Portfolio Manager, Private Markets

Micheal Copeland is currently Senior Portfolio Manager Private Markets with the Arizona State Retirement System, responsible for co-managing the Private Equity and managing the Real Estate asset classes. Prior to joining ASRS in 2013, Mr. Copeland was a Portfolio Analyst at Protective Life Insurance Company in Birmingham, AL focusing on publicly traded debt. Mr. Copeland also holds the Chartered Financial Analyst® designation, awarded in 2013, and graduated from the University of Florida with a BSBA in Finance with a minor in Leadership. Mr. Copeland served in the United States Marine Corps Reserve from Jan 2000 - Jan 2006 and deployed to Iraq in 2003. Outside of work, Mr. Copeland enjoys spending time with his wife and two young kids.



Andrew Shershenovich. Assistant Portfolio Manager, Private Equity

Andrew Shershenovich is an Assistant Portfolio Manager, Private Equity with the Arizona State Retirement System and has been with ASRS since 2022. He co-manages the Private Equity portfolio with senior members of the ASRS team, including Primaries, Secondaries, and Co-Investments. Preceding ASRS, Andrew worked at Roosevelt Management Company and Invesco Private Capital as an Investment Analyst in New York City. Andrew graduated in 2018 from the W.P. Carey School of Business and Barrett, The Honors College programs at Arizona State University, receiving dual degrees in Finance (B.S.) and Economics (B.S) with a certificate in International Business. He was born and raised in Scottsdale, Arizona.



March 26, 2026

Agenda Item

4d.

Real Estate Asset Class



An agency of the State of Arizona



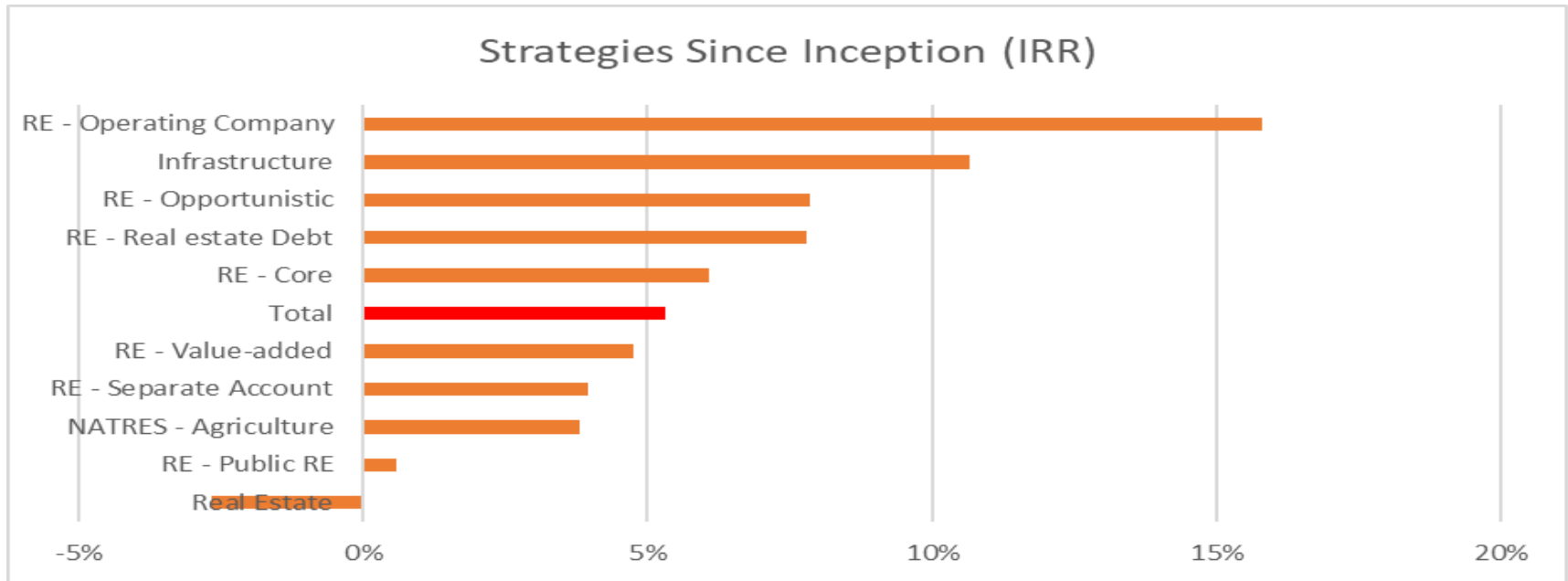
REAL ESTATE STRATEGY IMPLEMENTATION PLAN FOR CY 2026



Real Estate Performance

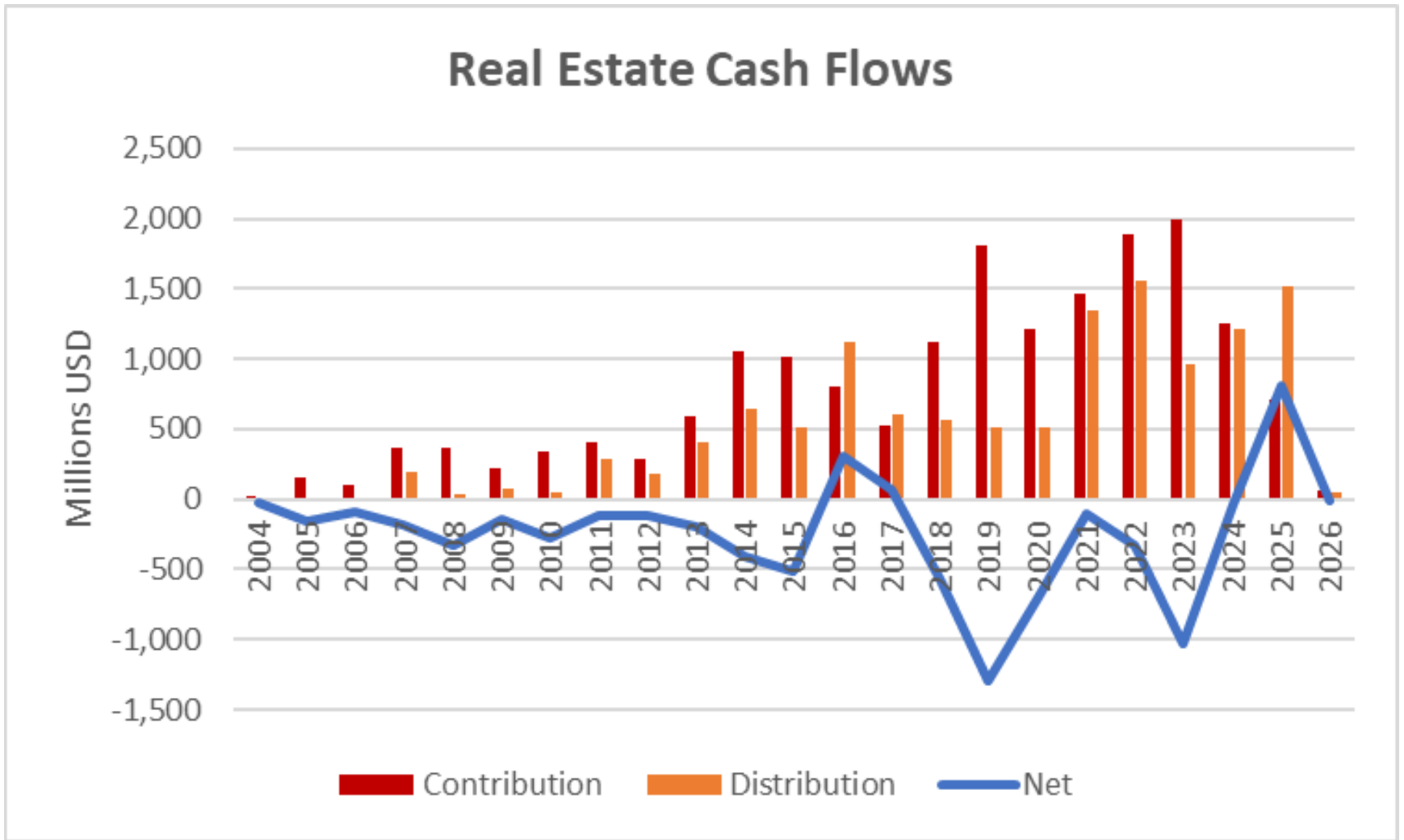
Time Weighted Returns per Book of Record as of 12/31/2025							
Period Ending December 31, 2025	Value	3 Months	1 Year	3 Year	5 Year	10 Year	Inception
Real Estate	\$ 9,314,981,483	-1.83%	1.94%	-3.11%	3.41%	5.43%	5.27%
NCREIF ODCE Net		0.52%	3.19%	-6.15%	2.59%	4.13%	5.10%
Excess Returns		-2.35%	-1.25%	3.04%	0.82%	1.30%	0.17%
Dollar Weighted Returns (IRR) per Book of Record as of Sept 30, 2025							
Period Ending September 30, 2025		3 Months	1 Year	3 Year	5 Year	10 Year	Inception
Real Estate		-1.85%	2.02%	-3.29%	2.87%	4.34%	5.32%

*TWRs include the valuations as of September 30, 2025, plus the cash flows up to December 31, 2025



As of 30-September-2025

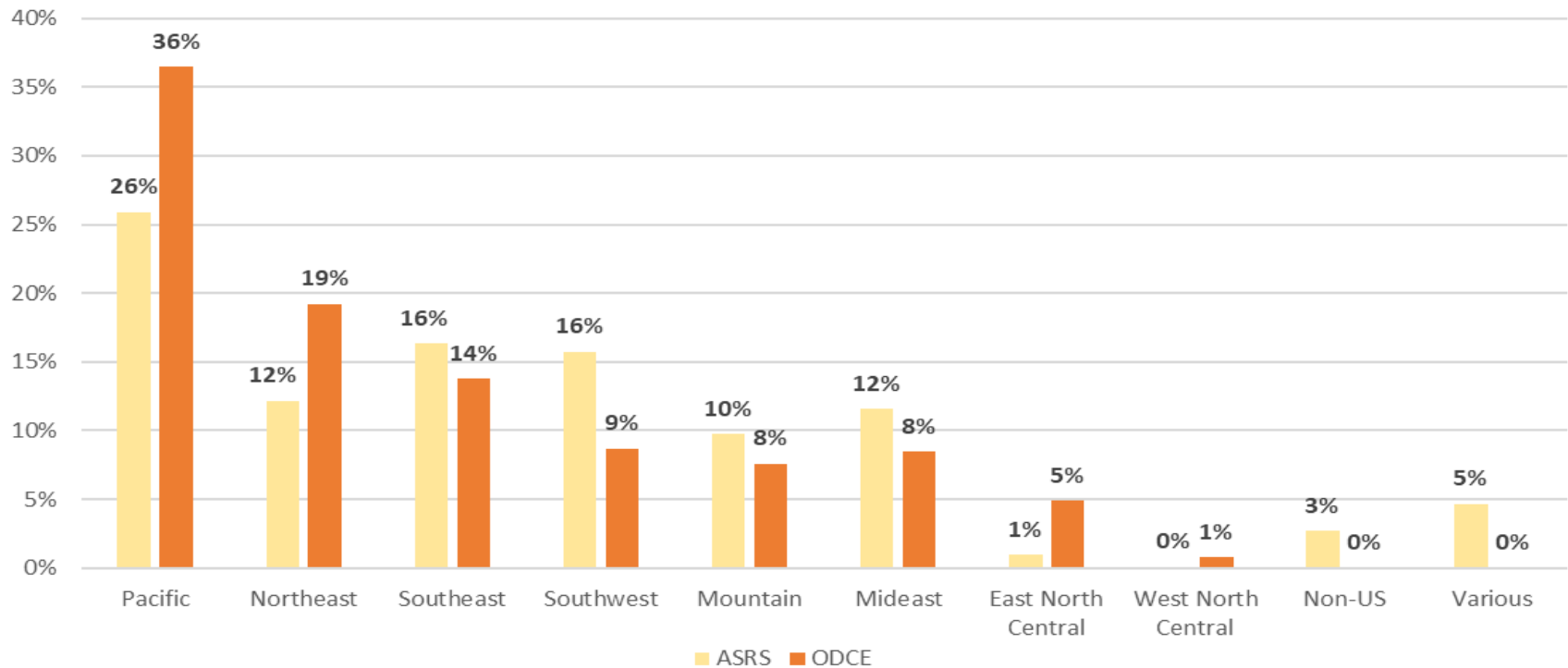
Real Estate Cash Flows



As of 28-Feb-2026

REGION: ASRS vs NFI-ODCE

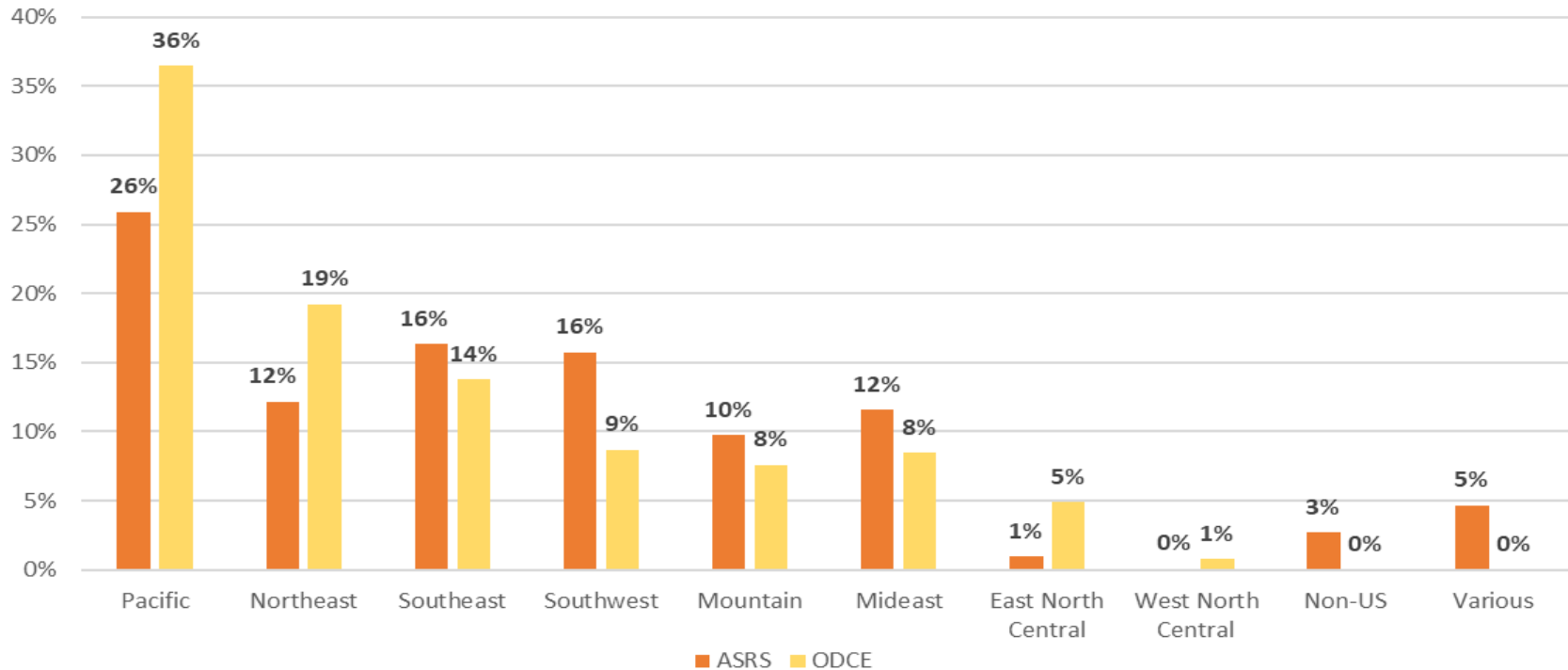
- ASRS overweight the Sunbelt regions, Mountain and Mideast
- ASRS underweight Pacific, Northeast and East North Central



Data as of December 31, 2025

PROPERTY TYPE: ASRS vs NFI-ODCE

- ASRS overweight Residential and Other (Data Centers, Hotels and Mixed-Use)
- ASRS underweight Industrial, Retail and Office



Data as of December 31, 2025

EXECUTIVE SUMMARY

2026 IMPLEMENTATION PLAN

- ▶ The capital markets-driven downturn in the real estate sector continues to moderate, though the trough has persisted longer than anticipated. Supply and demand fundamentals are gradually rebalancing, with outcomes varying by property type and market. While isolated pockets of distress present targeted opportunities, overall market fundamentals remain stable. Valuation declines have slowed and turned positive in select sectors, debt pricing and availability have improved, and transaction activity is increasing as price discovery progresses through the market.
- ▶ We recommend a measured risk-on approach to investing in the near term as the current vintage exposure is projected to lead to long term outperformance. We continue to favor prudent investment in strategies supported by structural supply-demand imbalance and a patient and flexible approach to identifying tactical investment opportunities driven by pricing dislocation and capital markets volatility.
- ▶ We recommend a focus on “demand-driven” investing, taking market, leasing, and selective construction risks to generate excess returns through partnerships that align parties’ interests and preserve ASRS’s control and transparency. ASRS/RFA evaluate opportunities by monitoring the economic cycle and impacts to specific property types and markets, mitigating the risks associated with extreme downside scenarios, and pursuing investments with multiple exit strategies.
- ▶ ASRS has a mature allocation that is largely deployed into key strategies among a limited number of programmatic relationships. RFA will continue to analyze the investment landscape and market fundamentals to identify both risks and opportunities to optimize the portfolio.
- ▶ ASRS has secured consistent investment pipeline within its high conviction real estate investment pillars of residential and logistics while benefiting from enhanced returns through operating company (“OpCo”) investment from which it enjoys GP economics. ASRS has committed \$4.6B to the SMAs with its OpCo partners through FYTD 2026.
- ▶ We recommend continuing to invest programmatically with ASRS’s strategic partners through existing commitments as well as upsizing and recycling capital in SMAs in high conviction areas.
- ▶ The portfolio has met the 15% target through strategic sales, accretive portfolio recapitalization, and a reshuffling of real estate debt while continuing investment through ASRS’s key partnerships. ASRS remains committed to exiting lower growth and stabilized assets as appropriate to enhance liquidity and optimize portfolio composition.
- ▶ We continue to recommend a property type model allocation weighted Live 50% (+/-10%), Shop 35% (+/-10%), Work 15% (+/-10%) and Other (+/-15%). RFA recommends a continued underweight of the target to Shop until the tariff situation resolves and supply chains implications are clearer.
- ▶ We continue to recommend a property life cycle model allocation weighted 65.0% +10%/-15% towards Stabilized assets, 17.5% ± 10.0% towards Value Enhancement assets (Renovation and Lease-up/Roll), and 17.5% ± 10.0% and towards Construction.
- ▶ This strategy has generated returns to ASRS in excess of the ODCE benchmark through FY 2025: RFA-recommended control investments have outperformed the benchmark by 250 basis points inception to date, while the real estate portfolio overall has outperformed by approximately 130 basis points.
- ▶ We believe the recommended strategy will lead to continued outperformance relative to both the 8% target return and the ODCE benchmark; specifically, we project the SMA portfolio to outperform the benchmark by ~260 bps over the next five years.

GOALS AND OBJECTIVES

The objective of the Implementation Plan is to prepare an updated “Pacing Plan” for the real estate portfolio that aligns with the investment opportunities outlined in a recommended “Model Allocation” as well as the ASRS Interim Strategic Asset Allocation Policy Investment Strategy (“ISAA”) approved by the ASRS Board in May 2025.

To accomplish the above objective, RFA reviewed the ASRS portfolio, policies and limitations, previous recommendations and activities, as well as current and forecasted economic, capital market, and property market conditions.

Long-term goals and objectives that the Implementation Plan works to achieve include:

- ▶ Maintain an allocation of approximately 15%¹ near-term to take advantage of opportunities from dislocations given current economic conditions as well as complete value creation activities already underway;
- ▶ Target an SMA portfolio total return that outperforms ODCE by approximately 150 bps annually, on average, over the next five years;
- ▶ Target a “Model Allocation” by property type for:
 - » “Where People Live” (Apartments, Senior Housing, Student Housing, and Self-Storage)
 - » “Where People Work” (Office, Health Care, and Hospitality)
 - » “Where People Shop” (Retail and Industrial)
 - » “Other Real Assets” (Data Centers, Infrastructure, Agriculture, and Timberland)
- ▶ Target “Model Allocation” by risk profile to maintain appropriate levels of risk/return:
 - » “Stabilized”
 - » “Value Enhancement” (Lease-up/Roll and Renovation)
 - » “Construction” (Built-to-Suit and Speculative)
- ▶ Target an allocation to a range of investment vehicles that provide transparency and control and appropriate levels of fees.

¹The allocation to Real Estate as part of the total ASRS fund was modified since the adoption of the ASRS Strategic Plan in 2003. The revised target increased from 6% of the total ASRS Portfolio to 8% in 2014, 10% in 2015, and subsequently increased further to 20% +/- 10% in 2018. The allocation was reduced to 17% +/- 4% effective in 2022 and further reduced to 15% in 2025 along with the realignment of real estate debt to the private credit portfolio.

GUIDING PRINCIPLES

PORTFOLIO CONTROL

ASRS pursues relationships and investment vehicles that maximize alignment, provide transparency, provide liquidity through control of investment periods, financing, and exits, and allow for the opportunity to review compliance with criteria on each investment. In practical terms, this has meant:

- ▶ Greater emphasis on strategic manager relationships through both separately managed accounts (“SMAs”) and OpCo investments.
- ▶ Proactively identifying opportunities offering superior investment fundamentals and identifying “best in class” vehicles for each strategy.
- ▶ Monitoring manager relationships to ensure alignment with strategy and investment criteria, and, as necessary, modifying strategies to reflect the external environment.

RISK MANAGEMENT

ASRS aims to exceed performance of real estate benchmarks over the long term by taking, and managing, three primary types of risks:

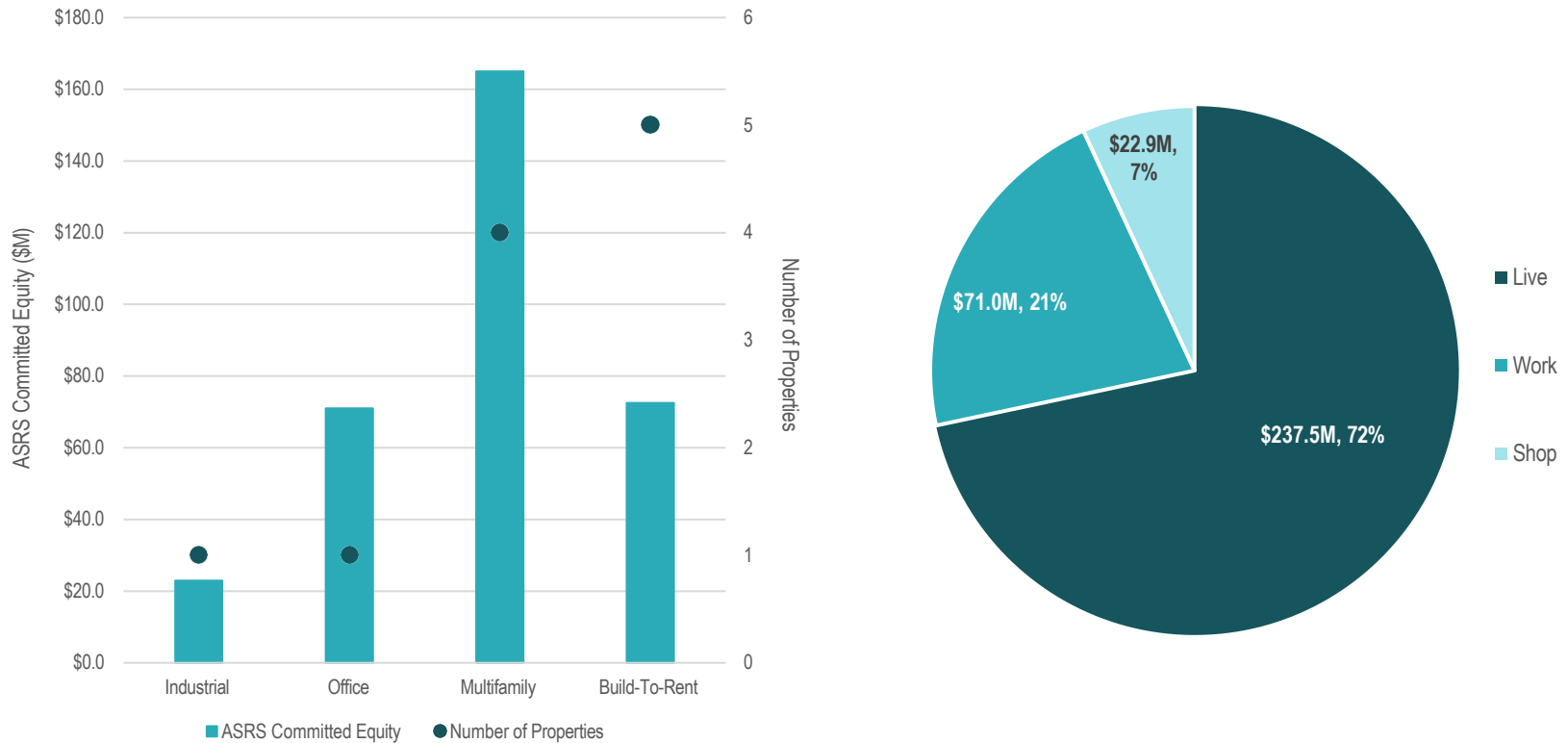
- ▶ Economic Cycle Risk:
 - » Real estate, like the broad economy, is inherently cyclical due to elasticity of demand and inelasticity of supply.
 - » Achieving consistent positive performance requires monitoring and proactively preparing for each stage of the cycle.
 - » Cycle-driven distress resulting from failure to achieve business plans and/or market illiquidity creates opportunities for long-term investors.
- ▶ Business Risk:
 - » Business risk in real estate is primarily derived from the ability of operators to control costs and attract tenants/buyers.
 - » Managers and investors manage these risks through maintaining market and product knowledge, performing effective due diligence, and profiting from imbalances of information in this inherently inefficient asset class.
- ▶ Property Life Cycle Risk:
 - » The three primary life cycle classifications include Stabilized, Value Enhancement (Renovation & Lease-up/Roll), and Construction (Build-to-Suit & Speculative).
 - » Appropriate levels of risk must be reintroduced to the portfolio to maintain target returns as Value Enhancement and Construction assets convert to Stabilized.

RECAP: 2025 RECOMMENDATIONS & ACTIONS

RECOMMENDATIONS		ACTIONS
Total Portfolio		
1	Reduce ASRS's pacing towards 15% +/- 4% (down from 17%) and maintain an allocation near 15%.	<ul style="list-style-type: none"> ▶ The ASRS real estate exposure ended FY 2025 at 17.0% (\$10.2B). After the transfer of the existing debt strategies from the real estate portfolio to the private credit portfolio effective at the onset of FY 2026, the real estate exposure was 16.3% (\$9.7B). As of November 2025, the real estate exposure is estimated at 15.1%.
2	Exit nonstrategic partnerships or recapitalize existing strategic partners.	<ul style="list-style-type: none"> ▶ Evaluated potential liquidity for a minority portion of one of ASRS' investments in an operating company but determined timing was unattractive. ▶ ASRS entered a Fund redemption queue in 2Q 2023, though current estimates liquidate the position in 2026 and 2027. ▶ Several separate accounts exits have occurred or are projected to occur by year end 2025.

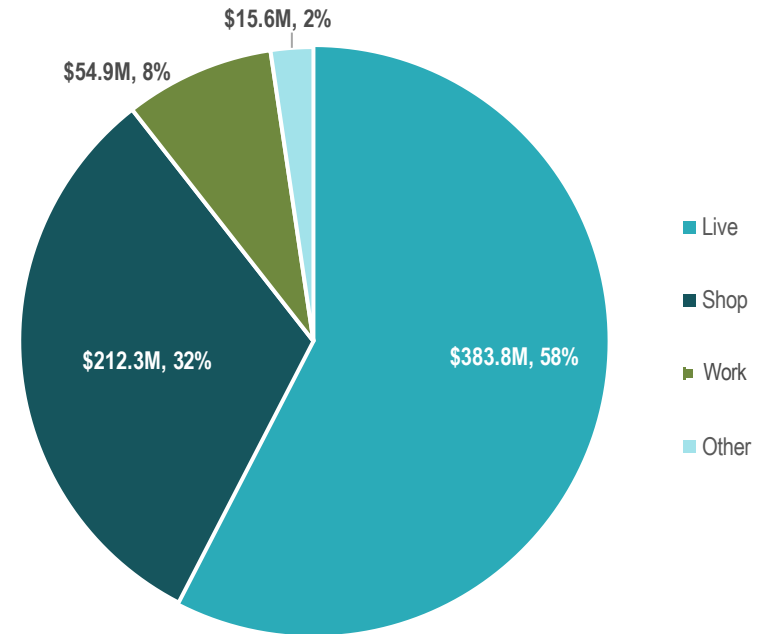
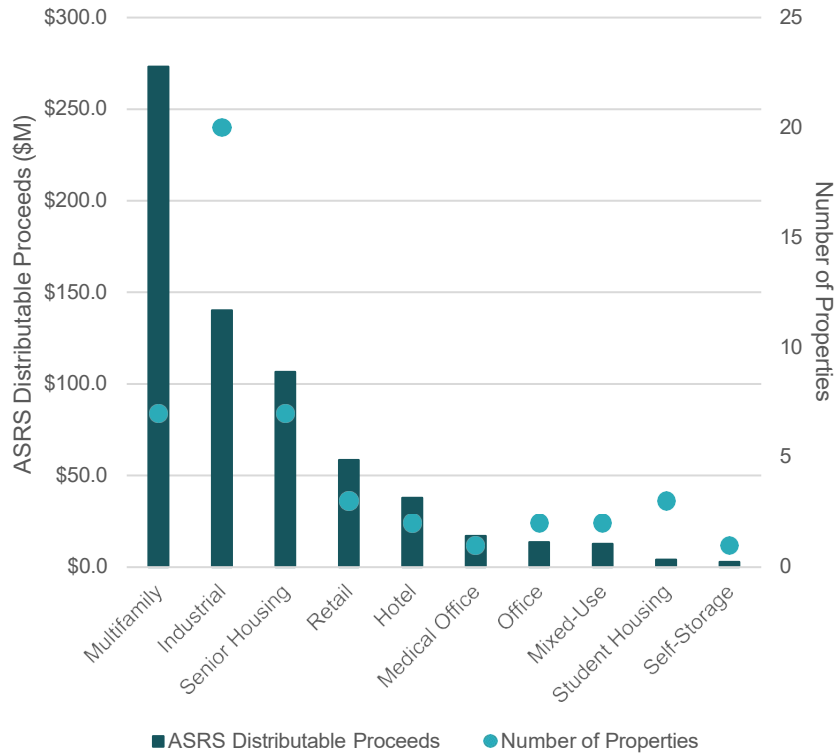
RECAP: 2025 RECOMMENDATIONS & ACTIONS (CONT.)

RECOMMENDATIONS		ACTIONS
Existing SMAs, Strategies, and Other Real Estate Investments		
3	Continue to deploy new capital within existing SMAs inside of the existing commitments.	<ul style="list-style-type: none"> From July 2024 through November 2025, ASRS committed \$331.4M to 11 SMA investments. Of the commitments, approximately 72% of capital was committed to “live” investments, 21% was committed to “work” investments, and 7% was committed to “shop” investments. The largest equity deployment was committed to a multifamily SMA, followed by a San Francisco-focused SMA.



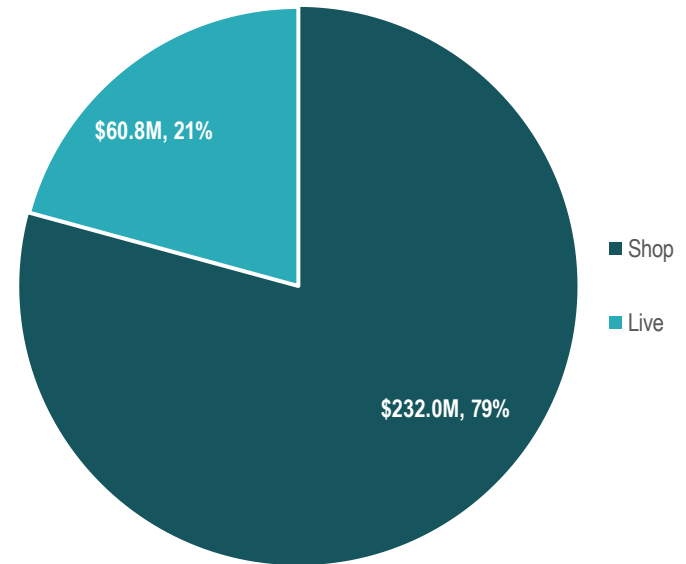
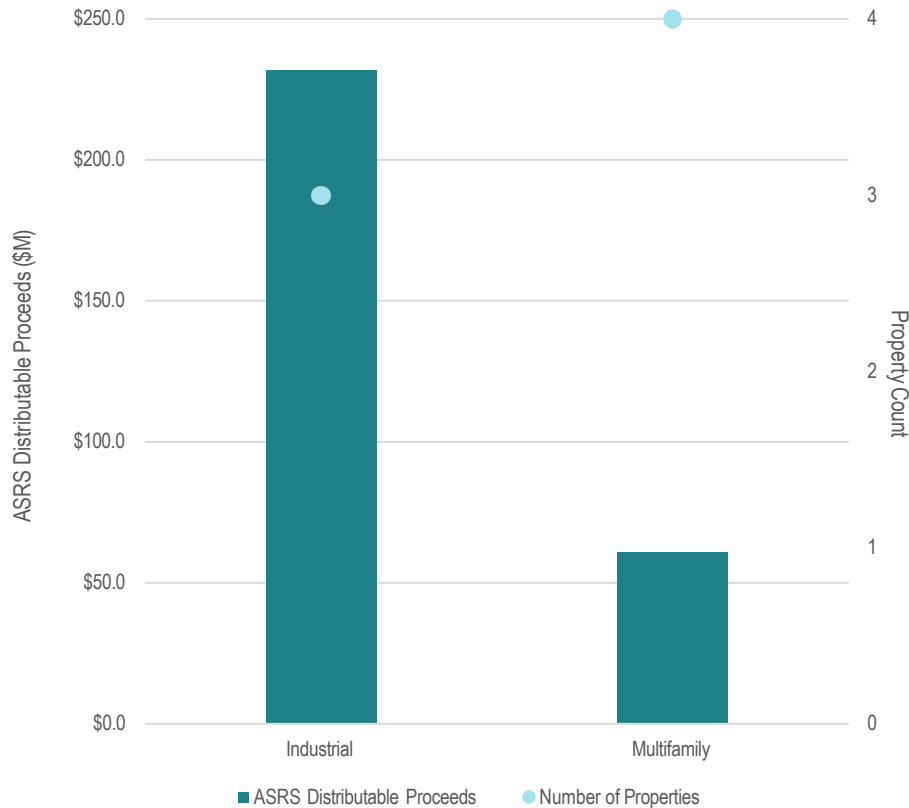
RECAP: 2025 RECOMMENDATIONS & ACTIONS (CONT.)

RECOMMENDATIONS		ACTIONS
Existing SMAs, Strategies, and Other Real Estate Investments		
4	Exercise liquidity levers through SMA sales.	<ul style="list-style-type: none"> From July 2024 through November 2025, ASRS executed 48 dispositions resulting in distributable proceeds of approximately \$667.0M. Investments classified as “live” account for more than half of the distributable proceeds to ASRS, while “shop”, “work”, and “other” account for 32%, 8%, and 2%, respectively. The greatest amount of distributable proceeds was generated by a New York / Boston-focused SMA, followed closely by an industrial SMA and a senior housing SMA.



RECAP: 2025 RECOMMENDATIONS & ACTIONS (CONT.)

RECOMMENDATIONS		ACTIONS
Existing SMAs, Strategies, and Other Real Estate Investments		
4	Exercise liquidity levers through refinance activity within the SMA portfolio.	From July 2024 through November 2025, ASRS executed 18 financings, seven of which resulted in distributable proceeds of approximately \$292.8M. Of the seven financings, 79% of distributable proceeds came from “shop” financings and 21% came from “live”. The majority of the distributable proceeds can be attributed to industrial SMAs.



RECAP: 2025 RECOMMENDATIONS & ACTIONS (CONT.)

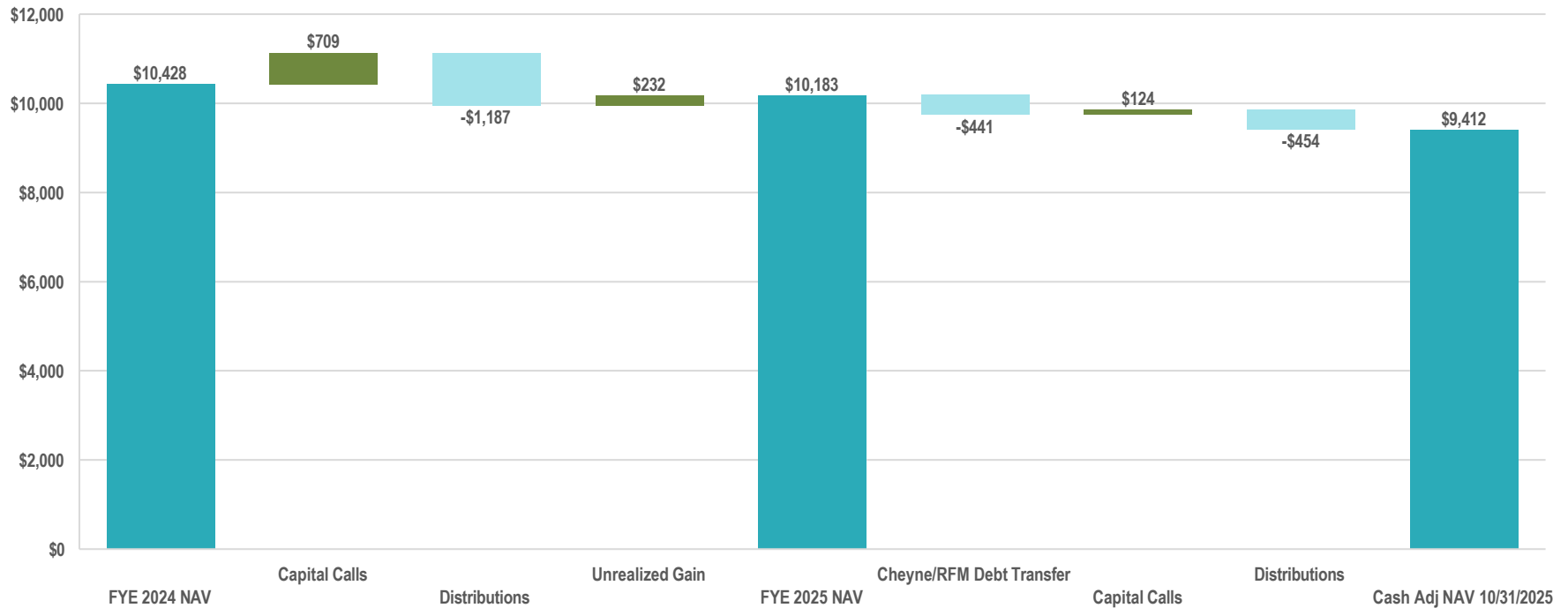
RECOMMENDATIONS		ACTIONS
Additional Allocations to Existing SMA Managers		
1	Evaluate upsizes in commitments to various Managers upon 15% allocation to real estate	<ul style="list-style-type: none"> ▶ Created a new industrial venture and allocated \$100M with an ASRS right to increase the commitment by \$400M for a total of \$500M. ▶ The data center SMA included the right for ASRS to increase its commitment by \$200M, which ASRS exercised for continued investment in the existing development portfolio prior to potential sale of these sites. ▶ Evaluated other new allocations but did not recommend moving forward given the overweight in comparison to the target.
New Strategies and Investments		
1	Continue evaluation of Healthcare and Next Generation Workspace Strategies.	<ul style="list-style-type: none"> ▶ Continued to investigate sourcing of joint ventures with best-in-class operators at favorable economics to launch Medical Office and Next Generation Workspace partnerships.
2	Monitor other strategies for Under-allocated Property Types and Tactical Market Dislocation Opportunities including Event Driven / Special Situations, Low Density Housing / Residential Land, Distressed Office, and Cold Storage	<ul style="list-style-type: none"> ▶ ASRS approved utilization of \$75M within an existing related SMA for investment in a cold storage (\$50M) vehicle and a diversified operating company GP (\$25M). ▶ Concluded that few other opportunities arose that would be accretive to ASRS's portfolio given the overarching desire to reduce the allocation. ASRS/RFA will continue to monitor these opportunities going forward.

ASRS REAL ESTATE PORTFOLIO NAV WALK

STRATEGIC DISPOSITIONS OUTWEIGH CONTINUED INVESTMENT

- ▶ Decrease in NAV in FY 2025 of \$245M due to strong distribution activity totaling \$1.2B, which was partially offset by capital contributions of \$709M and positive unrealized gains of \$232M.
- ▶ In FY 2026 YTD, the NAV has decreased by \$771M on a cash adjusted basis due to the \$441M transfer of the real estate debt portfolio to the ASRS private credit portfolio and \$454M of distributions offset by \$124M of capital calls through October 2025.

ASRS RE Portfolio NAV Walk (\$M)



Source: Data pulled from eFront on October 31, 2025

PACING RECOMMENDATIONS

PACING SUMMARY

OUTLOOK & DYNAMIC ALLOCATION

- ▶ ASRS's real estate portfolio NAV was ~\$10.2B, or ~17.0% of the total ASRS portfolio as of fiscal year-end 2025, which complied with the ISAA target range +/-4% of 15% as approved by the ASRS Board in September 2022 and was below expectations from the previous pacing plan. Following the transfer of the real estate debt strategies from the real estate portfolio to the private credit portfolio, effective at the commencement of FY 2026, the real estate exposure was 16.3% (\$9.7B). As of November 2025, the real estate portfolio is estimated at \$9.4B, or 15.1%, and is expected to maintain ~15.0% of the total ASRS portfolio going forward.
- ▶ Given the progress towards the 15% target allocation, the current Pacing Plan assumes continued near-term dispositions and an accelerated pace of investments through new commitments, dry powder, and recyclable capital.
 - » **The Implementation Plan targets new commitments of ~\$1.3B plus recycling of capital to existing Managers and \$1.0B for potential new strategies over the forecast period.**
 - » New investment activity in 2026 emphasizes opportunities to create value through leasing assets with vacancy, repositioning properties to better meet market demand, and/or securing development opportunities for superior yields relative to recent years, and it still may be possible to acquire assets below their replacement costs.
 - » We continue to recommend a focus on property types and markets with strong long-term demand drivers, such as residential and logistics, though secondary opportunities may emerge to acquire deeply undervalued high quality office properties.
 - » The Implementation Plan targets capital distributions of approximately \$760M in CY 2026 to crystalize returns for non-strategic, underperforming, and peak performing investments. The continued level of planned disposition activity is projected to generate capacity for investments in preferred property types. ASRS staff and RFA will evaluate each sale individually and will seek to maximize proceeds. Given the maturity of the portfolio, we expect to generate sale proceeds regularly going forward.
 - » Risks to the recommended pacing include a worse than expected economic slowdown (e.g., a recession) and/or interest rates moving higher than market expectations. We will continually monitor and evaluate economic conditions and recommend modifications to investment activities, as necessary.
- ▶ Without new commitments and recycling of capital, the current sales pace will result in the real estate portfolio allocation declining below the 15% target within CY 2026 and outside of the lower bound of the 4% allowable range in early CY 2028. Recommendations in this pacing plan provide for ASRS to remain in compliance with the 15% target allocation.
 - » Current pacing projections allow for optimal execution of new investment acquisitions and the planned dispositions, ensuring ASRS achieves attractive pricing in both instances as the bid-ask spread moderates and markets normalize.
 - » ASRS is well positioned to respond to current pressures and take advantage of investment opportunities through its "direct" approach to investing and its partnerships with "best in class" operators.

MAINTAIN 15% REAL ESTATE ALLOCATION

TARGET ACHIEVED IN CY 2025

- ▶ The Pacing Plan targets material compliance with the target allocation through CY 2030.
- ▶ We expect ASRS to maintain the target allocation by staying disciplined and actively managing the portfolio:
 - » Make new commitments to existing core partners in 2026 and 2027.
 - » Continue to wind down non-strategic and underperforming ventures as identified in previous Implementation Plans.
 - » Through the annual asset review process, conduct hold/sell analyses to identify assets whose projected returns are dilutive to portfolio objectives and where redeploying capital elsewhere would generate higher risk-adjusted returns. A proactive portfolio management approach is expected to drive a higher volume of acquisitions and dispositions while resulting in a weighted average hold period of approximately 4–6 years.
 - » Explore new relationships for opportunities that cannot be met within the existing partnerships.
- ▶ Commitments that are established in 2026 continue to invest throughout the forecast period and are necessary to meet the objectives of the ISAA.
- ▶ New commitments include the recycling of capital.
- ▶ Without new allocations, the real estate portfolio is projected to breach the lower bound of the allowable range in early 2028.
- ▶ Assuming slower growth of the overall fund at 3% vs 5%, the real estate portfolio is projected to stay within the higher bound of the allowable range throughout the forecast period.
- ▶ This plan generates \$2.6B more net cash flow over the forecast period than the 2025 plan through increased asset sales and more active portfolio management, with similar equity contributions.

MAINTAIN 15% REAL ESTATE ALLOCATION

TARGET ACHIEVED IN CY 2025

Base Case (\$M)	FY 2025	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
ASRS Fund	\$59,874	\$62,317	\$65,433	\$68,705	\$72,140	\$75,747	\$79,534
ASRS Real Estate	10,183	9,312	9,753	10,031	10,423	11,384	11,830
% RE of Total	17.0%	14.9%	14.9%	14.6%	14.4%	15.0%	14.9%
NAV of Existing Vehicles ¹	10,183	9,312	9,059	7,762	6,227	5,565	4,938
NAV of Projected New Investments ²		–	694	2,269	4,196	5,820	6,892
Scenarios:							
<i>ASRS % RE of Total Without New Allocations</i>		14.9%	13.8%	11.3%	8.6%	7.3%	6.2%
<i>ASRS % RE at Slower Fund Growth of 3%</i>		14.9%	15.2%	15.2%	15.3%	16.2%	16.4%

Contributions, Distributions, and Net Cash Flow	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Projected Existing Commitment Contributions	(738)	(350)	(50)	(38)	(33)
Projected New Commitment Contributions	(660)	(1,445)	(1,670)	(1,345)	(1,080)
Projected Total Contributions	(1,398)	(1,795)	(1,720)	(1,383)	(1,113)
Projected Existing Commitment Distributions	2,124	2,636	3,363	1,163	1,115
Projected New Commitment Distributions	34	96	162	303	720
Projected Total Distributions	2,158	2,733	3,525	1,466	1,834
Projected Net Cash Flow	760	937	1,805	83	721
<i>2025 Pacing Plan Projected Net Cash Flow</i>	<i>142</i>	<i>457</i>	<i>1,360</i>	<i>520</i>	<i>(765)</i>

¹Current committed investment vehicle NAV

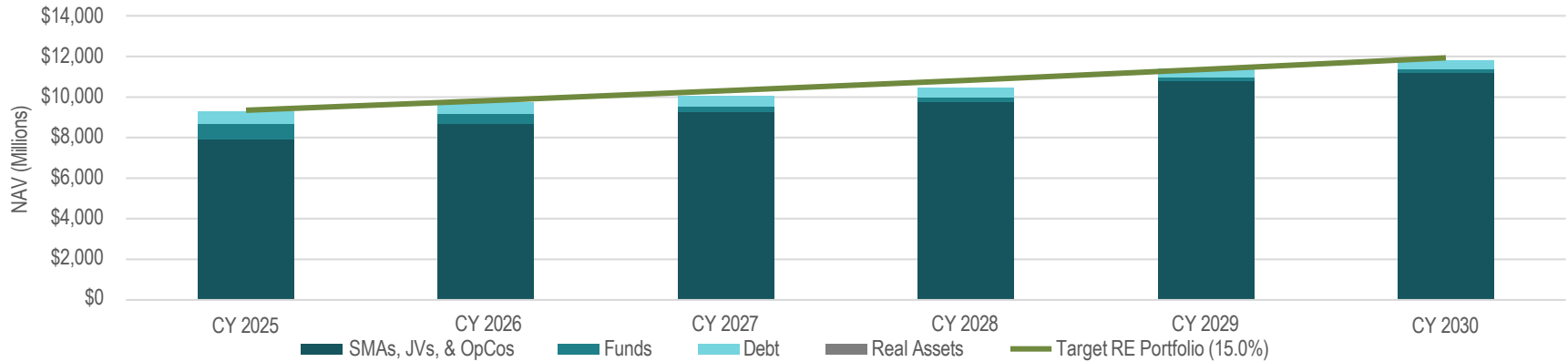
²NAV associated with new commitments

PATH TO A 15% REAL ESTATE ALLOCATION

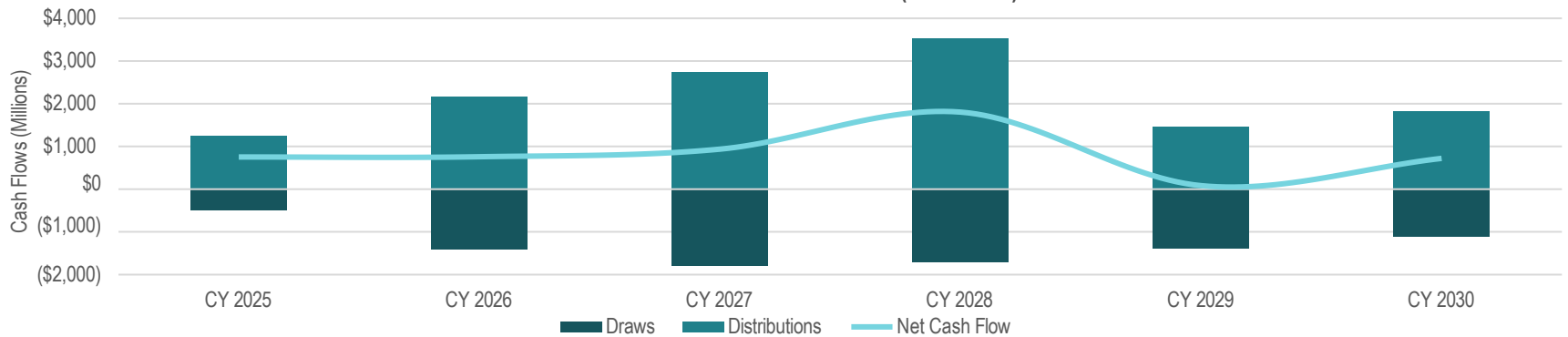
MATERIAL COMPLIANCE PROJECTED

- ▶ The real estate portfolio complies with the 15% target.
- ▶ We anticipate capital deployment for new investments to accelerate, with a focus on the best opportunities across live, work, and shop.
- ▶ The portfolio is projected to stay within target while committing new capital to SMAs.
- ▶ Consistent capital infusions and distributions are expected throughout the forecast period as assets are cycled in and out of the portfolio.

Net Asset Value by Investment Vehicle



Forecasted Draws and Distributions (Base Case)



REAL ESTATE INVESTMENT HOLD DURATION

STAY DISCIPLINED WITH ACTIVE PORTFOLIO MANAGEMENT

“How long is enough to amortize the transaction cost and illiquidity, but not too long to bear excessive price volatility? In other words, is there an optimal holding period for real estate?”¹

- ▶ Factors affecting real estate hold periods:
 - » High transaction costs and illiquidity risk argue for longer holds
 - » Return volatility and risk aversion argue for shorter holds
- ▶ Cheng, Lin, and Liu are top academic researchers of this question who have coauthored several papers on it together.
 - » Their methodology differs from many other researchers. They use observed historical data rather than statistical simulations to estimate real estate returns and volatilities.
 - » They develop a theoretical model to estimate optimal hold periods that maximize expected risk-adjusted returns then apply that model to historical performance data from the NCREIF Property Index (NPI).
 - » Results are sensitive to assumptions on illiquidity risk, transaction costs, return volatility, and investor risk aversion.
 - » Their estimates consistently indicate an optimal hold period of **~4-6 years** for real estate.
- ▶ **Investment Implications:**
 - » The research illustrates that long-term holds have historically not optimized returns.
 - » Optimal hold periods increase in property types or markets with higher illiquidity and transaction costs and decrease with higher risk aversion.
 - » Active asset management in selling and buying decisions is essential. Capital market conditions (e.g., transaction costs and market liquidity) should be continuously monitored and used to assess hold period decisions on a regular basis.
- ▶ ASRS Portfolio:
 - » As of FYE 2025, approximately one-third of the SMA portfolio NAV represents assets held longer than six years.

¹Research: Cheng et al. (2013)

SMA CONTINUATION STRATEGY

MAINTAIN OR GROW ALLOCATION / RECYCLE CAPITAL

EXISTING MANAGER	STRATEGY COMMENTS
Multifamily SMA	LIVE strategy focused on value add and development multifamily and build-to-rent.
Diversified SMA	Multi-asset type strategies with a weight towards LIVE and WORK . Continually evaluate markets and property types.
Industrial SMA	SHOP strategy focused on value-add and stabilized industrial.
BTR SMA	LIVE strategy focused on build-to-rent development or newly delivered product.
Data Center SMA	OTHER strategy centered on data center land acquisition and development in Tier 1 markets.
Senior Housing SMA	LIVE strategy focused on value-add senior housing acquisitions.
Light Industrial SMA	SHOP strategy investing in stabilized and value-add light industrial.
San Francisco SMA	Multi-asset type strategy investing mainly in LIVE and WORK opportunities within the San Francisco Bay Area.
Hotel SMA	WORK strategy investing in hotels.

INVESTMENT RECOMMENDATIONS

TARGET ALLOCATION AND STRATEGIC FOCUS

CY 2026 RECOMMENDATIONS:

Evaluate new / upsize commitments totaling ~\$2.3B

- » Multifamily SMA: \$250M
- » Industrial SMA: Exercise ASRS right to increase commitment by a maximum of \$400M
- » Light Industrial SMA: \$150M
- » Hospitality SMA: \$100M
- » Senior Housing SMA: \$200M (may be 2027)
- » Multifamily Preferred Equity SMA: \$75M (transfer from related SMA)
- » Multifamily Development Fund: \$50M seed
- » Industrial Value Add Fund: \$50M seed
- » Industrial Development: \$500M New Separate Account Manager or Joint Venture
- » Office Best Ideas: \$500M New Separate Account Manager or Joint Venture

Maintain exposure within core managers

- » Maintain disciplined recycling to the nine core managers to maintain allocations at ASRS discretion

Evaluate downsize to existing strategies

- » Diversified commingled fund redemption

INVESTMENT RECOMMENDATIONS (CONTINUED)

TARGET ALLOCATION AND STRATEGIC FOCUS

RECOMMENDATIONS:

High Conviction Strategies for 2026 and Beyond

- » Industrial Development (\$500M): Elevated demand from reshoring, nearshoring, e-commerce logistics, and diversified supply-chain requirements is projected. Limited new starts since 2023 have created a pipeline gap that should tighten fundamentals just as demand reaccelerates, positioning well-located, modern product for rent growth and attractive lease-up velocity. Together, these dynamics create a favorable window to deliver Class A assets into a supply-constrained market with improving capital-markets liquidity.
- » Office Best Ideas (\$500M):
Front Office Acquisition and Repositioning - The economy is increasingly driven by human capital and companies are focused on creating optimal environments (and work arrangements) to attract and retain talent and maximize employee output and satisfaction. Tenants require modern amenities and premium buildouts to attract employees in desired locations while capital market dislocation for the general-use office property type presents tactical investment opportunities.
Medical Office Acquisition and Development - An aging population drives increased healthcare and prescription drug spending. Advances in technology will also increase demand for health-related real estate.

Monitor Strategies Going Forward

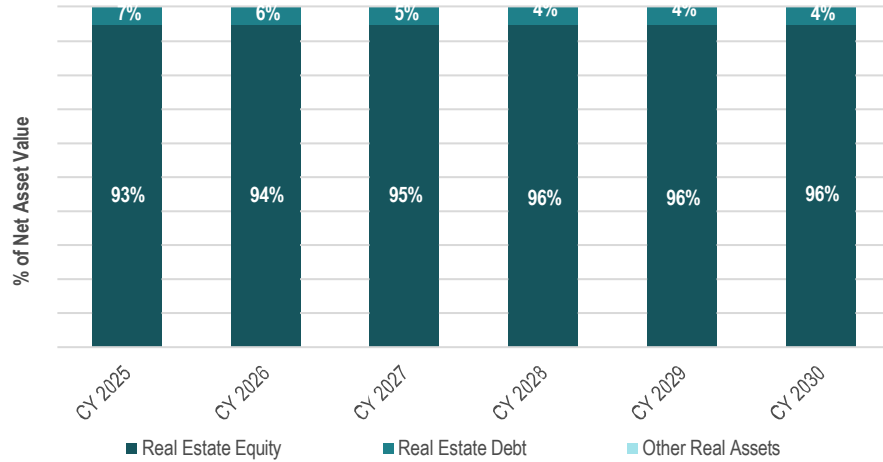
- » Manufactured Housing: A shortage of affordable housing in rural and suburban areas persists for those earning well below the area median income. The growing 55+ demographic, many of whom are on fixed income, will continue to drive demand for affordable rental housing options in rural settings.
- » Self Storage: As home prices rise, builders are constructing smaller homes to maintain affordability, leading to less space at home and increased demand for supplemental storage. In addition, the Millennial generation is reaching peak acquisition years and likely catches up to prior generations' self storage usage.
- » Low Density Housing / Residential Land: Long-term demand for single family housing is strong, and housing market disruption may drive opportunities to acquire
 or
 finance land, invest in manufactured housing, or acquire newly-built housing stock in bulk (e.g., homebuilder inventories) for sale or rental at attractive returns.

INTERNAL PACING CONSIDERATIONS

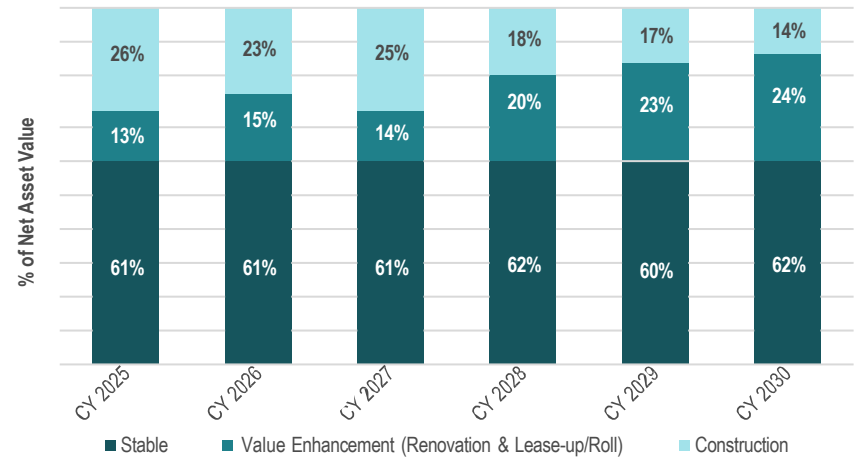
MODEL ALLOCATION FORECAST

FORECASTED COMPLIANCE OVER THE LONG TERM

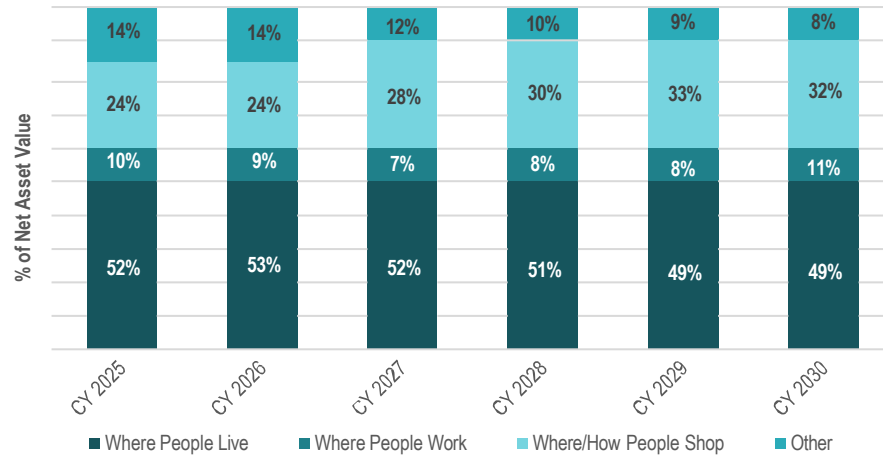
Allocation by Investment Vehicle



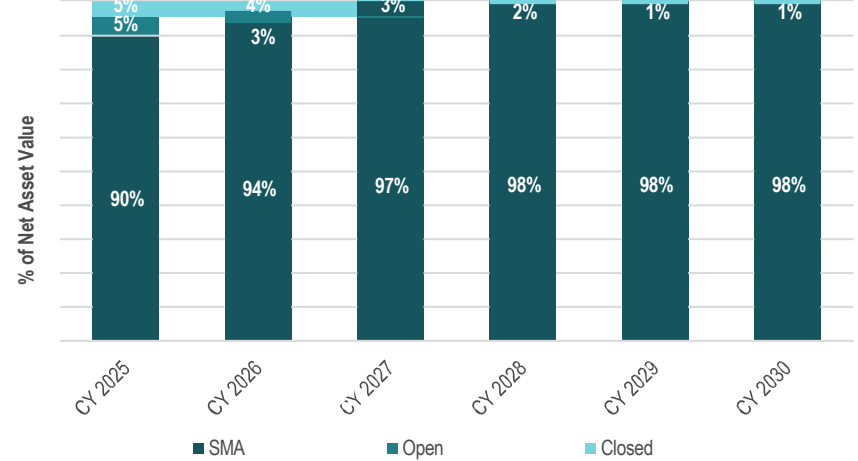
Allocation by Risk Profile



Allocation by Property Type Category



Allocation by Asset Class

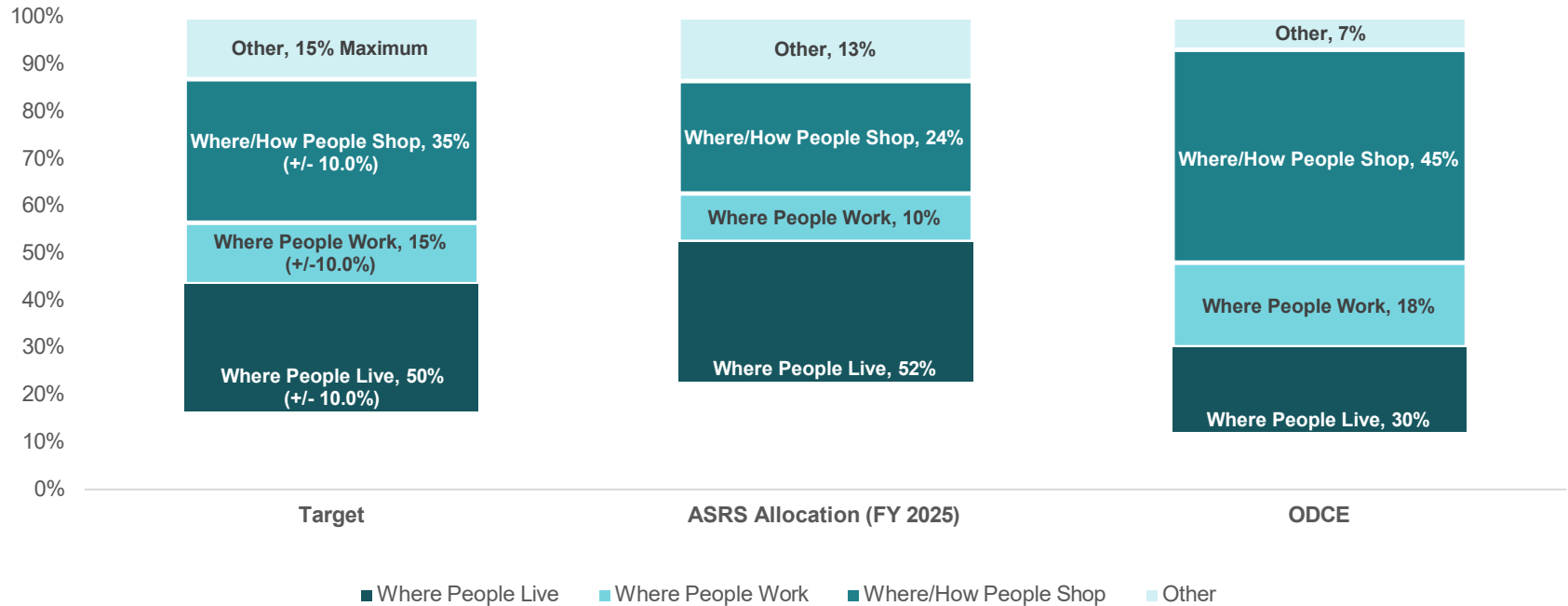


REAL ESTATE PORTFOLIO MODEL ALLOCATION

TARGET ALLOCATION BY LIVE | WORK | SHOP

- ▶ The 2024 Pacing Plan re-evaluated the model allocation and adjusted the target allocation to 50% “Where People Live” 35% “Where/How People Shop” and 15% “Where People Work.” The Model Allocation allows for a 15% for Other¹ investments.
- ▶ The allocation to “Where/How People Shop” has increased primarily through additional investments in Industrial, which will be the predominant property type given the continuing challenges with Retail.
- ▶ The portfolio will continue to be overweight slightly “Where People Live” from both Multifamily and BTR investments, while the “Work” portfolio will continue to emphasize Medical Office or high quality “front office” product as well as hotel investments.

Model Allocation by Property Type²



¹Other includes other real assets (Data Centers, Agriculture, Infrastructure, etc.) and non-classifiable or mixed-use investments within commingled funds and debt investments.

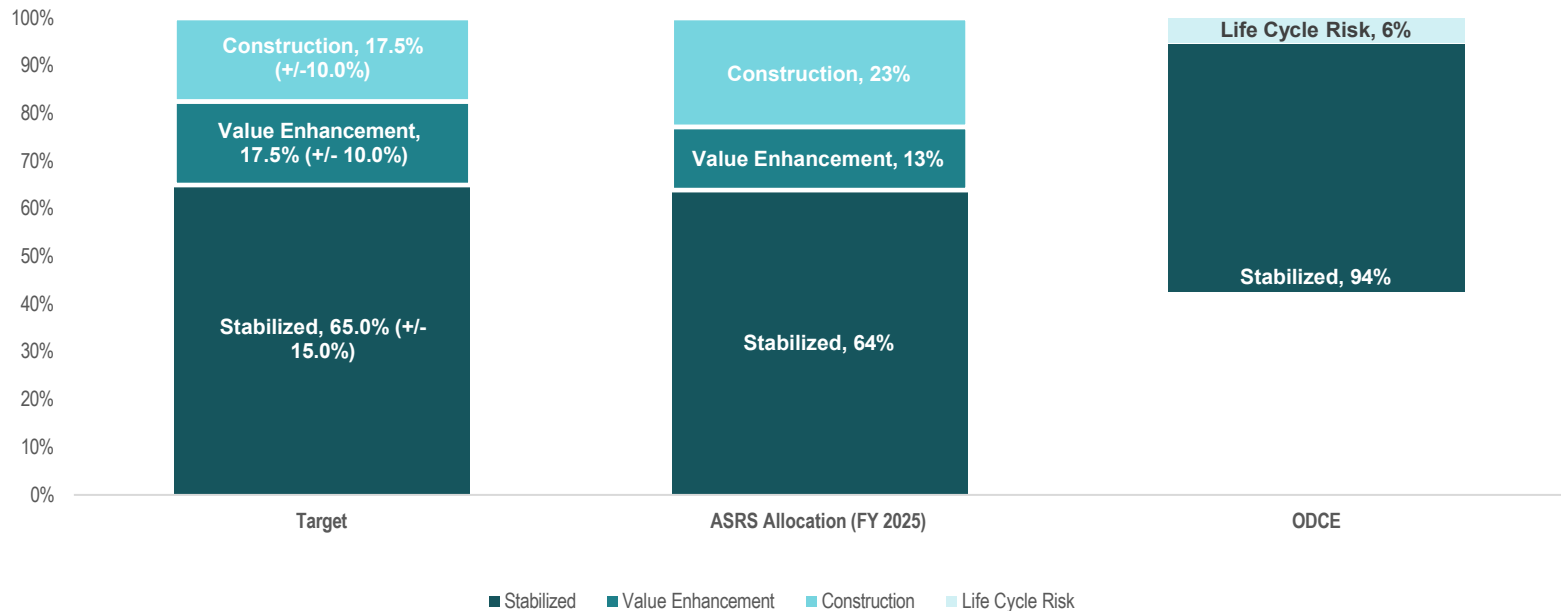
²Reflects Real Estate Portfolio overall excluding Debt Fund and European Credit Fund. ASRS Allocation is based on NAV as of 6/30/2025. ODCE Allocations are based on Gross Real Estate Values as of 6/30/2025.

REAL ESTATE PORTFOLIO MODEL ALLOCATION

TARGET ALLOCATION BY RISK PROFILE¹

- ▶ The real estate portfolio is primarily comprised of stabilized, income-generating assets, but also relies on new investments benefitting from appreciation to maintain long-term return targets.
 - » Stabilized assets are currently in-line with the target allocation. Including dispositions which have closed to date in FY 2026 and those currently planned, the stabilized allocation will drop below the target in the near term but stay within the permitted range given the extensive value creation opportunities (construction, renovation, and repositioning) over the past few years.
 - » Construction and redevelopment activities are shifting into operations and are poised to benefit from economic recovery over the next several years.
 - » Over the long-term, the quality and desirability of the portfolio undergoing value enhancement and construction should drive excess returns relative to the benchmark. The model allocation by risk profile is built as a long-term model with adequate flexibility. This Pacing Plan continues to recommend maintaining the existing model allocation.

Model Allocation by Risk Profile¹



¹Reflects Real Estate Portfolio overall excluding Debt Fund and European Credit Fund. ASRS Allocation is based on NAV as of 6/30/2025. ODCE Allocations are based on Gross Real Estate Values as of 6/30/2025.

FORECASTED SMA ATTRIBUTION

SECTOR WEIGHTING & LIFE CYCLE

PROPERTY TYPE

- ▶ Property Type allocation is forecasted to attribute 68 basis points of excess annual return for the SMA portfolio over the next five years.
 - » ASRS' overweighting of "Live" assets compared to ODCE is expected to continue to have positive impact on portfolio performance as Multifamily assets are anticipated to continue to outperform. Meanwhile, ASRS's relative underweighting of "Work" assets is expected to minimize underperformance as market participants do expect continuing underperformance in Office assets going forward. "Other" which is comprised mostly of data center exposure is projected to significantly outperform.
 - » Conversely, ASRS's relative underweighting to "Shop" assets compared to ODCE results in slight underperformance given continued positive performance in the Industrial sector. This Pacing Plan recommends committing additional capital to "Shop" assets to resolve this projected negative sector weighting going forward.

LIFE CYCLE

- ▶ Life Cycle selection is expected to attribute 191 basis points of excess annual return for the SMA portfolio over the next five years.
- ▶ This Pacing Plan forecasts excess annual returns of 1.0%, 2.5%, and 4.0% for Stabilized, Value Enhancement, and Construction assets, respectively, which represent slightly humbled returns compared to historical returns and underwriting hurdles.

Overall, through the combination of Sector Weighting and Life Cycle attribution, the SMA portfolio is expected to outperform ODCE by ~260 basis points annually over the next five years, on average, which is equivalent to a total expected return of ~9.0% over a projected ODCE return of ~6.4%¹.

SEPARATE ACCOUNT ATTRIBUTION FORECAST (5-YEAR)						
Sector Weighting	Forecasted Benchmark Excess	SMA Weight (5-year Avg)	ODCE Weight (Trailing 1-Yr)	Active Weight	Sector Weighting	
Live	0.2%	51.7%	34.6%	17.1%	0.03%	
Work	-1.1%	8.4%	19.3%	-10.9%	0.12%	
Shop	0.0%	28.0%	44.8%	-16.8%	0.00%	
Other ²	5.0%	11.9%	1.3%	10.6%	0.53%	
Subtotal		100.0%	100.0%	0.0%	0.68%	
Life Cycle	Forecasted Active Excess	SMA Weight (5-year Avg)	Life Cycle			
Stabilized	1.0%	61.0%	0.61%			
Value-Enhancement	2.5%	17.1%	0.43%			
Construction	4.0%	22.0%	0.88%			
Subtotal		100.0%	1.91%			
Total SMA Excess Return			2.60%			

¹ RFA's forecast based on an NPI projection of 6.7% (Q3 2025 PREA Consensus Forecast Survey) less an observed discount of 0.3% for ODCE (Net, Levered) vs. NPI (Gross, Unlevered) based on the average of the spread for the 10-year return over the past five years.

² The Other category is not forecasted in the PREA Survey. RFA forecasted the benchmark excess for the Other category using a discount to the expected return within the ASRS data center portfolio.

Source: PREA; NCREIF; ASRS; RFA

REAL ESTATE PORTFOLIO COMPLIANCE SCORECARD

SUMMARY OF TARGETS AND CONSTRAINTS

CATEGORY	PARAMETER	REQUIREMENT	CURRENT STATUS ²	COMPLIANT?
Property Type Model Allocation ¹	"Where People Live"	50% ± 10%	52%	✓
	"Where People Shop"	35% ± 10%	24%+	✓
	"Where People Work"	15% ± 10%	10%	✓
	Other (non-classifiable)	15% Maximum	13%	✓
Property Life Cycle/Risk Profile Allocation	Stabilized	65% +10%/-15%	64%	✓
	Value Enhancement	17.5% ± 10%	13%	✓
	Construction	17.5% ± 10%	23%	✓
Asset Class Allocation	Real Estate Equity	80% +20%/-0%	94%	✓
	Real Estate Debt	0% - 20%	6%	✓
	Real Assets	0% - 10%	0%	✓
Portfolio Geographic Allocation	% of portfolio in any single MSA	40% Maximum	Largest Concentration New York MSA: 10.1% ³	✓
	% of portfolio with non-U.S. exposure	30% Maximum	1.6% ³	✓
Leverage	Total portfolio leverage (LTV)	60% Maximum	45% ³	✓
Manager Relationships	Target Number of Managers	20 Maximum	12	✓
Total Portfolio	% of ASRS portfolio in Real Estate	15% ± 4%	17%	✓

¹The Portfolio will be managed to ensure classifiable Real Estate investments comply with the "Live, Work+Shop" allocation targets despite a allocation to Other.

²As of 6/30/2025 and based on ASRS NAV.

³At the SMA level only. Non-US exposure includes a Sale-Leaseback SMA.

⁴Count does not include strategies which ASRS to exit by CYE 2025.

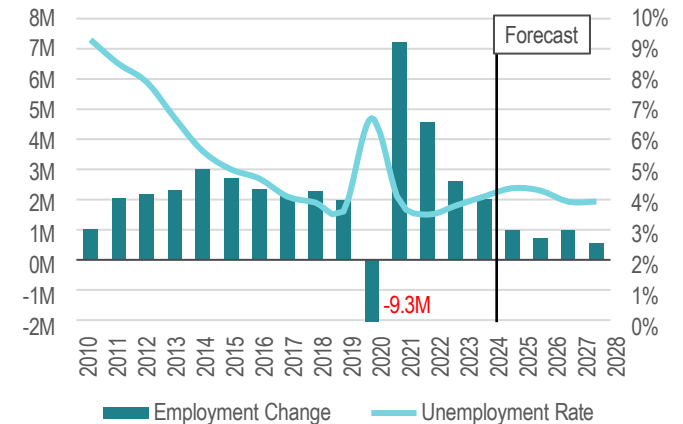
EXTERNAL PACING CONSIDERATIONS

OPPORTUNITIES AND CHALLENGES

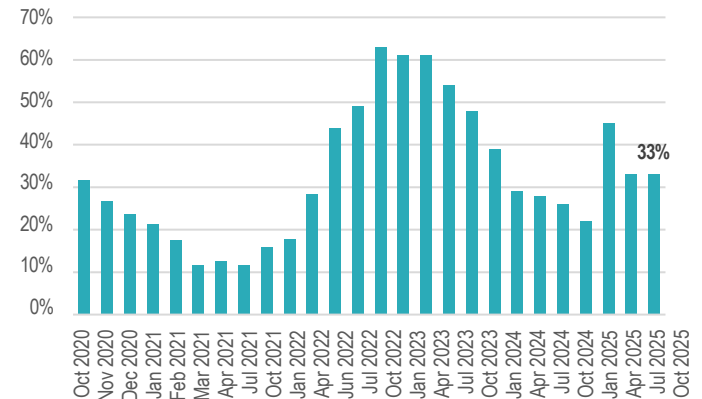
ECONOMY, REAL ESTATE CYCLE, AND CAPITAL MARKETS

- ▶ The US economy faces elevated uncertainty in the near term as increased tariffs take effect. Economic growth is expected to slow but not stop, and the US will likely avoid a recession in the near term. GDP growth is projected to average 1.5-2% for the next two years before picking up again. Inflation will likely trend higher, and the labor market is showing cracks. Short-term interest rates are likely heading down, but long-term rates are range-bound.
 - » Risks are skewed to the downside. Inflation may rebound more than expected and immigration policies could hurt labor and housing markets in some cities.
- ▶ US real estate fundamentals will improve in most property types over the next 2-3 years, but potential geopolitical domestic turmoil unrest are downside risks.
 - » Industrial vacancies have spiked to a 10-year high and are projected to remain elevated for the next two years. Rent growth will slow to 1-2%.
 - » Apartment rent growth is currently flat/negative due to excess supply but is expected to trend toward 2-3% through 2028 as supply and demand balance.
 - » Neighborhood retail rent growth should average 2-3% and vacancies will remain low as new supply is minimal.
 - » Office fundamentals remain challenged but are expected to approach bottom in 2026, and green shoots are slowly emerging.
 - » SFR, data centers, and senior housing should see above-inflation rent growth.
- ▶ Real estate capital markets have opened up and will support transaction volume in coming years. Lending standards are normalizing, and CMBS issuance has increased despite a pullback in 2025 Q2. Real estate has fully repriced at 15-35% below peak, and further correction looks unlikely. NPI appreciation was modestly positive in 1H 2025 after a 19% peak-to-trough decline in appraised values (37% for office, 10% for retail).

US Employment Change & Unemployment



WSJ Probability of Recession in Next 12 Months



Data as of October 2025.

Source: Federal Reserve Bank of St. Louis, Oxford Economics, Wall Street Journal

OPPORTUNITIES AND CHALLENGES

LONG-TERM STRUCTURAL AND SECULAR TRENDS

TRENDS AND THEMES

	LIVE	WORK	SHOP
<p><u>MACROECONOMICS</u></p> <ul style="list-style-type: none"> ➤ <i>Base Case Outlook:</i> US avoids a recession but growth slows and inflation accelerates in near term ➤ Production on/re-shoring continues, accelerated by tariffs in mid-term 	<ul style="list-style-type: none"> ▶ Steady growth in all types of housing needs, particularly affordable options ▶ Housing shortage to keep a floor under single-family housing prices 	<ul style="list-style-type: none"> ▶ Competition for talent creating greater demand for “NextGen” office and obsolescence of older office ▶ Hospitality demand mixed, with steady business travel and weaker leisure/international demand 	<ul style="list-style-type: none"> ▶ Continued e-retail migration and manufacturing re-shoring to drive robust warehouse demand ▶ More e-commerce resistant retail centers to remain stable
<p><u>DEMOGRAPHICS</u></p> <ul style="list-style-type: none"> ➤ Baby Boomers aging into senior population and living for longer ➤ Millennials forming families and moving to suburbs / smaller cities ➤ Declining immigration to drag on population and household growth ➤ Fastest growth in Sunbelt markets 	<ul style="list-style-type: none"> ▶ Long-term demand for senior housing ▶ Growing demand for low-density rental housing near good schools ▶ Demand for multifamily housing with attractive amenity packages ▶ Lower aggregate housing demand in immigration hubs 	<ul style="list-style-type: none"> ▶ Growing demand for healthcare real estate, particularly in affluent areas ▶ Demand for office that caters to the “21st century employee” (e.g., health / wellness amenities, near housing) ▶ Slowdown in workforce growth 	<ul style="list-style-type: none"> ▶ Young, tech-savvy consumers demand both experience and convenience ▶ Some traditional retail space likely obsolete
<p><u>TECHNOLOGY</u></p> <ul style="list-style-type: none"> ➤ Hybrid work has become the norm ➤ Water and power infrastructure under growing pressure ➤ Artificial Intelligence, Virtual and Augmented Reality to explode 	<ul style="list-style-type: none"> ▶ Growing demand for tech-enabled amenities in rental housing ▶ Increased demand for space away from dense urban cores 	<ul style="list-style-type: none"> ▶ Low office space usage per employee (vs. historical average), more flexible lease terms, shift in office layouts ▶ New technology and infrastructure demands within buildings 	<ul style="list-style-type: none"> ▶ Rapidly growing data center demand ▶ Growing importance of access to power ▶ Demand for efficient last-mile logistics

RFA BEST INVESTMENT IDEAS – 2025/6

LIVE
WORK
SHOP
OTHER

“LIVE” OPPORTUNITIES MOST PREVALENT

- ▶ 2025-2026 will likely be an attractive entry point across a wide range of property types and risk profiles.
- ▶ “Live” properties, particularly in supply constrained markets, will likely generate above-inflation NOI growth.

Equity		Stabilized Acquisitions		Refresh & Renovate		Construct. & Opportunistic	
Supportive Capital Markets	▶	Apartments (Selectively)					
	▶	SF Build-to-Rent					
	▶	Manufactured Housing	▶	Senior Housing	▶	SF Build-To-Rent	
	▶	Self-Storage	▶	Manufactured Housing	▶	Apartments	
	▶	Neighborhood Retail	▶	Self-Storage	▶	Industrial	
	▶	Industrial (Selectively)	▶	Industrial			
	▶	Medical Office (MOB)					
Volatile Capital Markets			▶	Office		▶	Office
						▶	Data Centers*
						▶	OpCo / GP Investments
Debt		Low Risk				High Risk	
Other	▶	Senior Debt		▶	Construction Financing		
				▶	Mezzanine	▶	Distressed Debt
					Debt / Preferred		
				▶	Equity Recapitalizations		

* Powered land investments in Tier 1 markets with the goal to exit or recapitalize quickly.

RETURN, INVESTOR SENTIMENT AND RISK CHARTS

RETURN, INVESTOR SENTIMENT AND RISK CHARTS

- ▶ RFA has developed a model to compare different investment strategies based on fundamental demand, risk, and investor sentiment. The following scores reflect medium- to long-term outlook.
- ▶ The table below shows value add and development strategies with high Fundamentals/Risk Scores that are likely to meet ASRS return objectives:

Non-Stabilized Strategies - High Fundamentals/Risk Scores		
LIVE	WORK	SHOP & REAL ASSETS
Senior Housing – V	Medical Office – V	Data Centers – D
Single-Family Rental – V, D		
Self-Storage – V		
Manufactured Housing – V		

- ▶ The following table shows attractive stabilized strategies that have been repriced due to interest rates or economic conditions and may meet ASRS investment objectives:

Stabilized Strategies - High Fundamentals/Risk Scores		
LIVE	WORK	SHOP & REAL ASSETS
Manufactured Housing – S	Medical Office – S	Data Centers – S
Single-Family Rental – S		
Senior Housing – S		
Self-Storage – S		

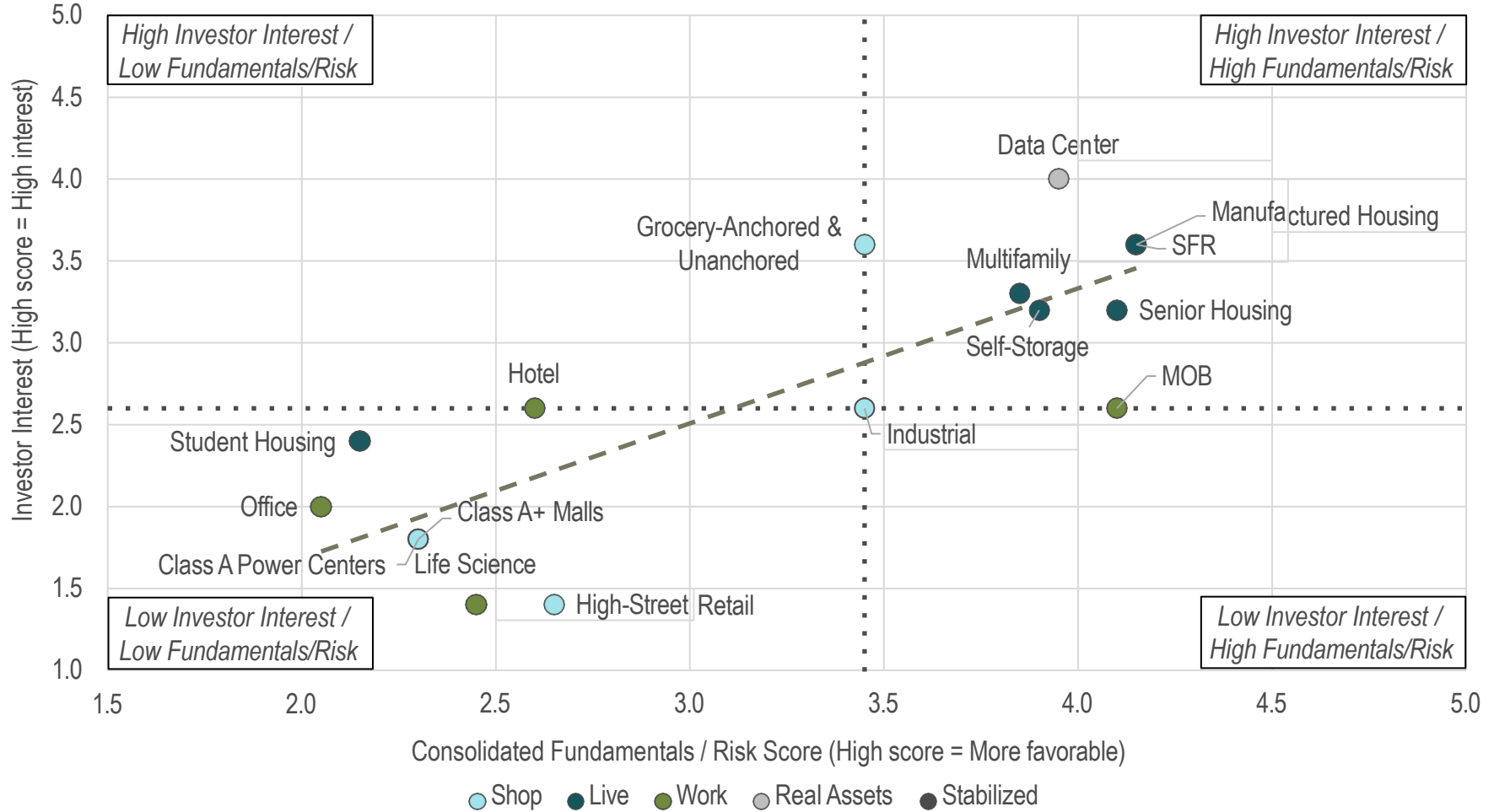
Key

S – Stabilized	V – Value Creation	D – Development
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PROPERTY TYPE TRENDS – STABILIZED

CONSOLIDATED FUNDAMENTALS/RISK VS. INVESTOR ACTIVITY

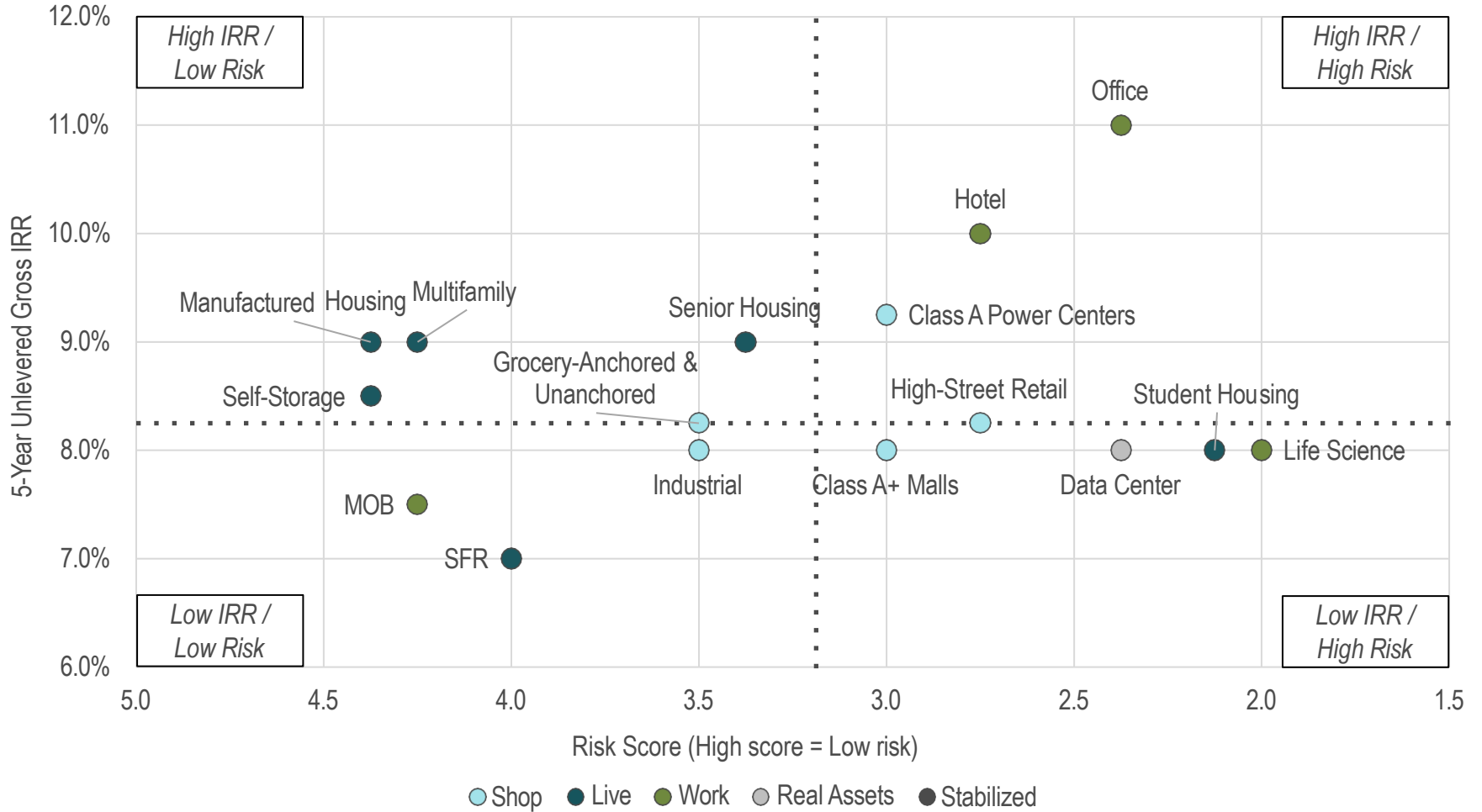
Stabilized Consolidated Fundamentals / Risk vs. Investor Interest



PROPERTY TYPE TRENDS – STABILIZED

RISK VS. UNLEVERED GROSS IRR

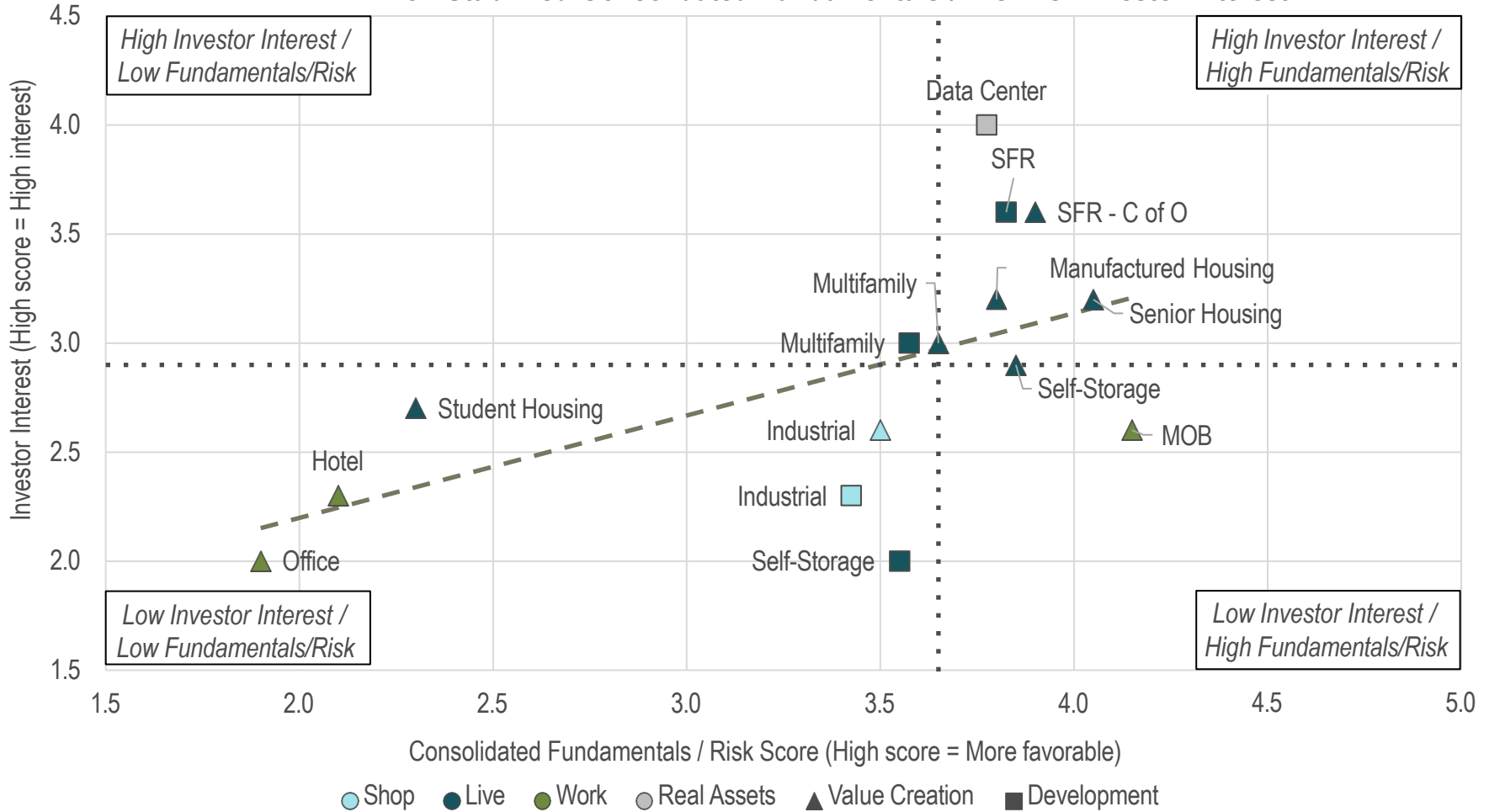
Stabilized Risk vs. 5-Year Unlevered Gross IRR



PROPERTY TYPE TRENDS – NON-STABILIZED

CONSOLIDATED FUNDAMENTALS/RISK VS. INVESTOR ACTIVITY

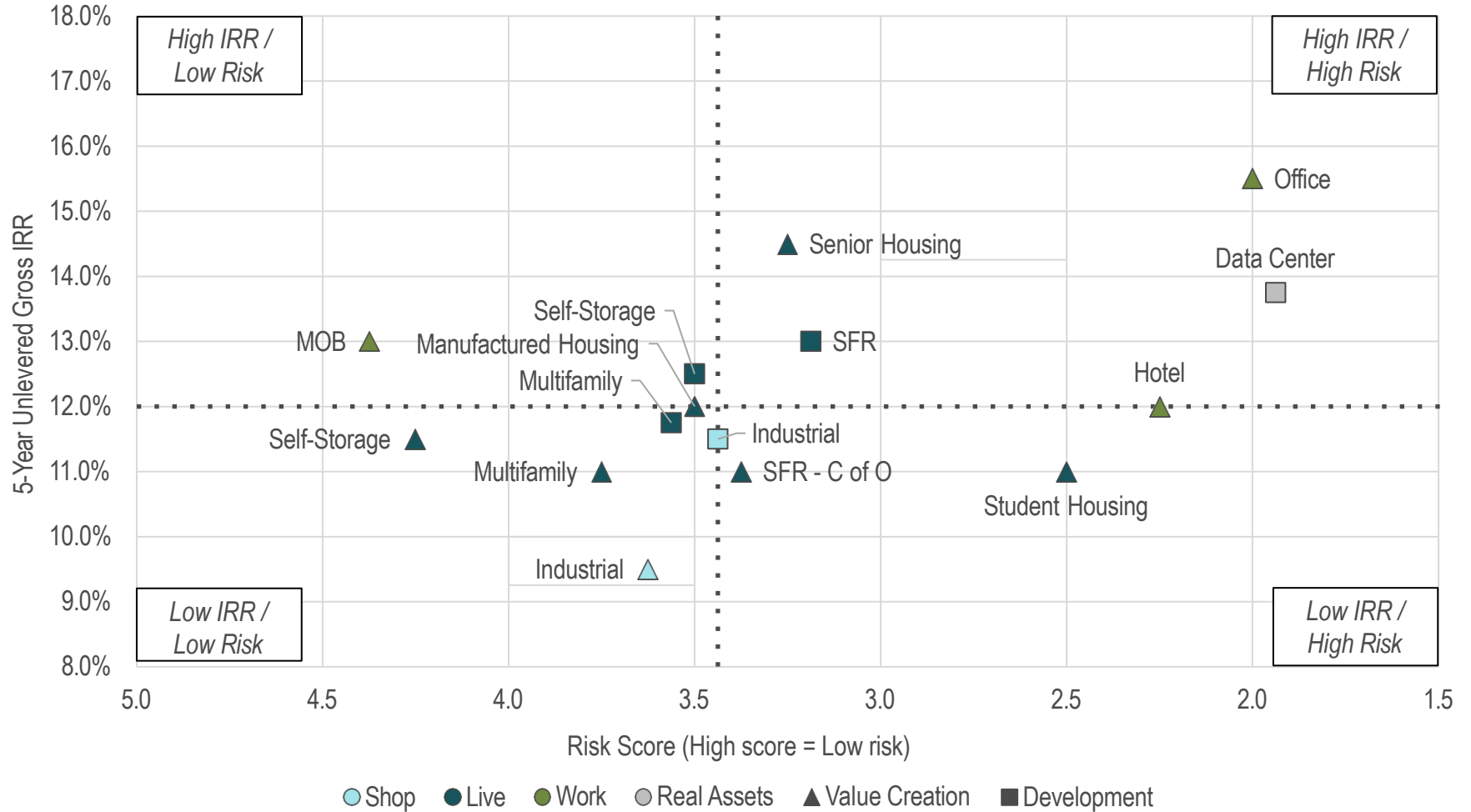
Non-Stabilized Consolidated Fundamentals / Risk vs. Investor Interest



PROPERTY TYPE TRENDS – NON-STABILIZED

RISK VS. UNLEVERED GROSS IRR

Non-Stabilized Risk vs. 5-Year Unlevered Gross IRR



REAL ESTATE PORTFOLIO PERFORMANCE

ASRS REAL ESTATE PORTFOLIO: JUNE 30, 2025

EXCESS RETURNS BY VEHICLE

- ▶ Separate Accounts and Operating Companies, where ASRS has significant rights on governance and investment matters, continue to be the strongest performers in the Portfolio. The ASRS Real Estate Portfolio has delivered excess return above the benchmark of 130 basis points.
 - » Since inception, the Separate Accounts have delivered excess return above the benchmark of 180 basis points. The 3-year excess return is 220 basis points above the benchmark.
 - » Since inception, the Operating Companies have delivered excess return above the benchmark of 880 basis points.

RE Portfolio Internal Rates of Return as of June 30, 2025

Strategy	Variable	1 Year	3 Year	5 Year	10 Year	ITD
Separate Account	IRR	2.9%	-3.6%	2.5%	4.4%	4.6%
ODCE Net	Index IRR	2.6%	-5.9%	1.5%	2.5%	2.8%
Excess	Excess	0.3%	2.2%	1.1%	1.8%	1.8%
Operating Company	IRR	4.1%	3.2%	17.5%	13.9%	15.9%
ODCE Net	Index IRR	2.7%	-5.9%	4.8%	5.2%	7.1%
Excess	Excess	1.4%	9.1%	12.6%	8.7%	8.8%
Debt	IRR	9.2%	9.3%	11.7%	6.8%	7.7%
ODCE Net	Index IRR	2.6%	-5.9%	2.7%	3.4%	4.0%
Excess	Excess	6.6%	15.1%	9.0%	3.4%	3.7%
Opportunistic	IRR	3.3%	0.2%	10.9%	8.9%	7.9%
ODCE Net	Index IRR	2.7%	-5.9%	3.0%	5.2%	5.1%
Excess	Excess	0.6%	6.1%	7.9%	3.7%	2.7%
Core	IRR	-8.1%	-9.1%	-0.1%	3.1%	4.4%
ODCE Net	Index IRR	2.7%	-6.2%	2.3%	4.6%	4.8%
Excess	Excess	-10.8%	-2.9%	-2.3%	-1.5%	-0.4%
Value-Add	IRR	-15.5%	-18.4%	-10.1%	-1.1%	4.8%
ODCE Net	Index IRR	2.7%	-6.2%	2.9%	5.5%	6.1%
Excess	Excess	-18.2%	-12.2%	-13.0%	-6.6%	-1.4%
Agriculture	IRR	-5.8%	2.9%	11.6%	8.1%	7.6%
ODCE Net	Index IRR	1.6%	-11.4%	7.1%	6.8%	7.4%
Excess	Excess	-7.4%	14.3%	4.5%	1.3%	0.2%
Public RE	IRR	-59.6%	-17.7%	-3.6%	-3.9%	-0.6%
ODCE Net	Index IRR	2.7%	-8.4%	6.0%	6.1%	7.2%
Excess	Excess	-62.2%	-9.3%	-9.6%	-10.0%	-7.8%
Total Portfolio	IRR	2.0%	-3.0%	3.7%	4.9%	5.6%
ODCE Net	Index IRR	2.6%	-6.0%	2.1%	3.6%	4.3%
Excess	Excess	-0.7%	3.0%	1.7%	1.3%	1.3%

Source: Data pulled from eFront on 11/4/2025; provided by ASRS

ASRS SMA PERFORMANCE: JUNE 30, 2025

RETURNS BY VEHICLE COMPOSITE¹

- ▶ The table below categorizes the SMAs as: Realized, Stabilized, Value Creation, and Under Performance.
- ▶ The active SMA portfolio has an inception to date return of 5.0% through FYE 2025.
- ▶ The realized return for SMAs that have been closed and assets were successfully “round tripped” is 16.7%.
- ▶ Stabilized SMAs reflect a since inception return of 6.5%.
- ▶ The largest portion of SMAs remain in value creation mode are returning 8.2% since inception with expected continued improvement as business plans progress.
- ▶ The under performing SMAs are in wind down mode and reflect a since inception return of -9.5%.
 - » Many of these SMAs were early relationships within the program.
 - » ASRS/RFA have adapted by enhancing the oversight program and conducting annual hold / sell analysis.
 - » ASRS now has more rights to respond to underperformance by way of forced sale provisions, cancelation of investment periods, and capital outlay approvals.

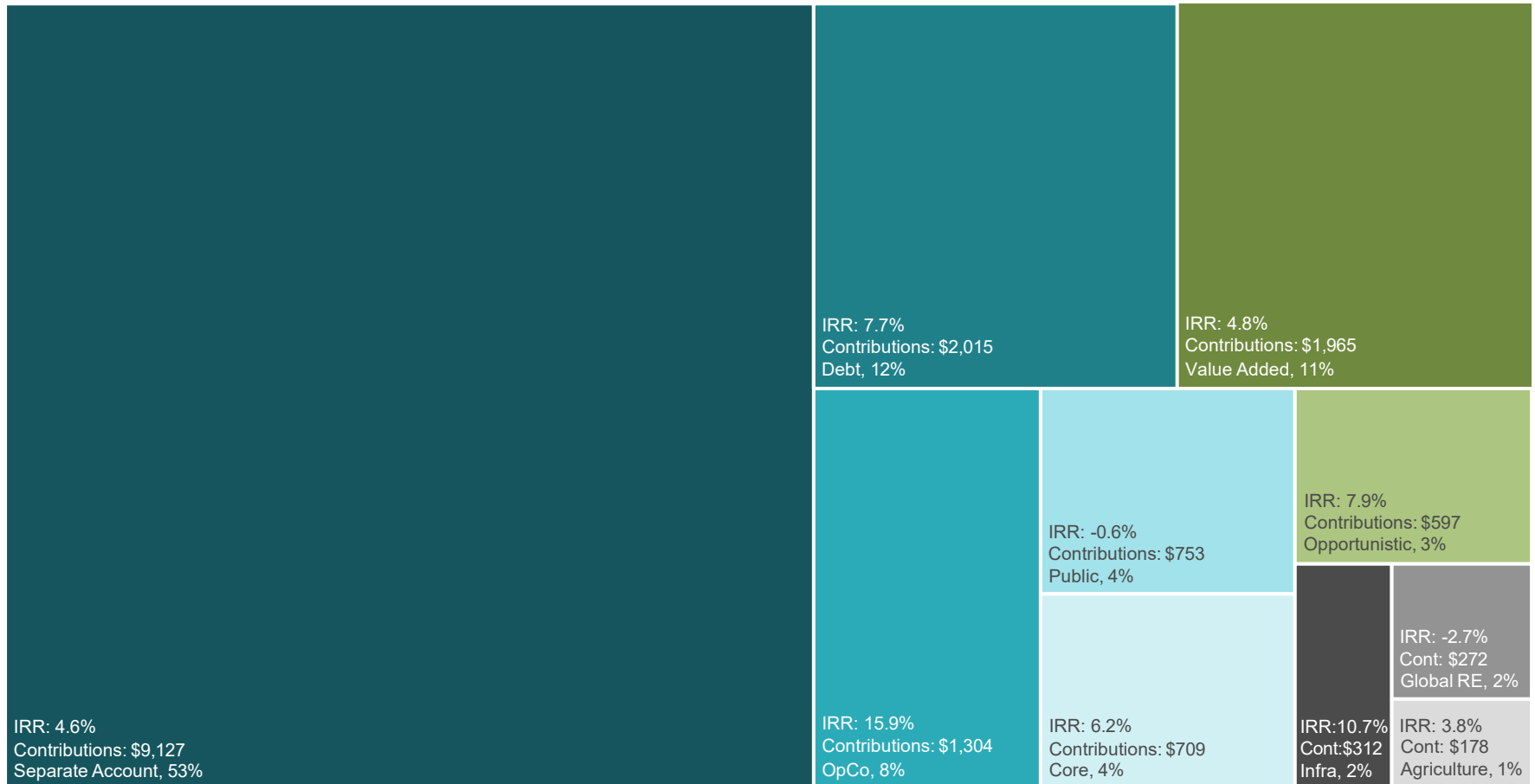
Category	# of SMAs	1 Year IRR	3 Year IRR	5 Year IRR	Inception to Date IRR
Realized	5				16.7%
Stabilized	8	-3.8%	-2.6%	5.0%	6.5%
Value Creation	11	8.4%	4.4%	8.0%	8.2%
Under Performance	6	12.5%	-36.4%	-21.8%	-9.5%
Total	30	4.4%	-2.4%	3.2%	5.0%
ODCE		2.7%	-5.8%	1.2%	2.6%
Excess		1.8%	3.4%	2.0%	2.4%

¹The Totals and IRRs differs from the Total SMA category on slide 35 due to composite construction. Legacy realized SMAs are excluded from this composite.

ASRS REAL ESTATE PORTFOLIO: JUNE 30, 2025

NAV: \$10.2 BILLION / CONTRIBUTIONS: \$17.2 BILLION¹

► Separate Accounts are the largest portion of the Real Estate portfolio contributions at 53%.

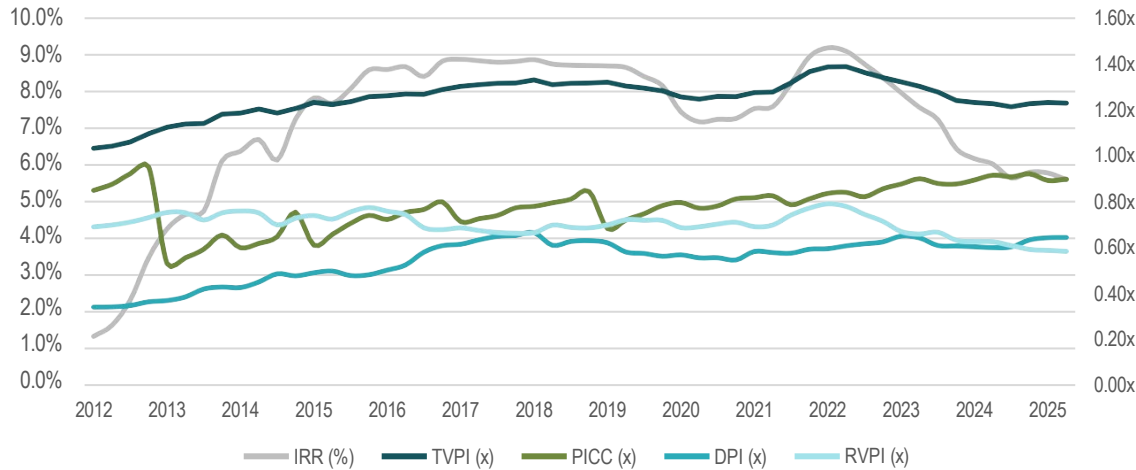


■ Separate Account
 ■ Debt
 ■ Value Added
 ■ OpCo
 ■ Public
 ■ Core
 ■ Opportunistic
 ■ Infrastructure
 ■ Global RE
 ■ Agriculture

ASRS REAL ESTATE PORTFOLIO: JUNE 30, 2025

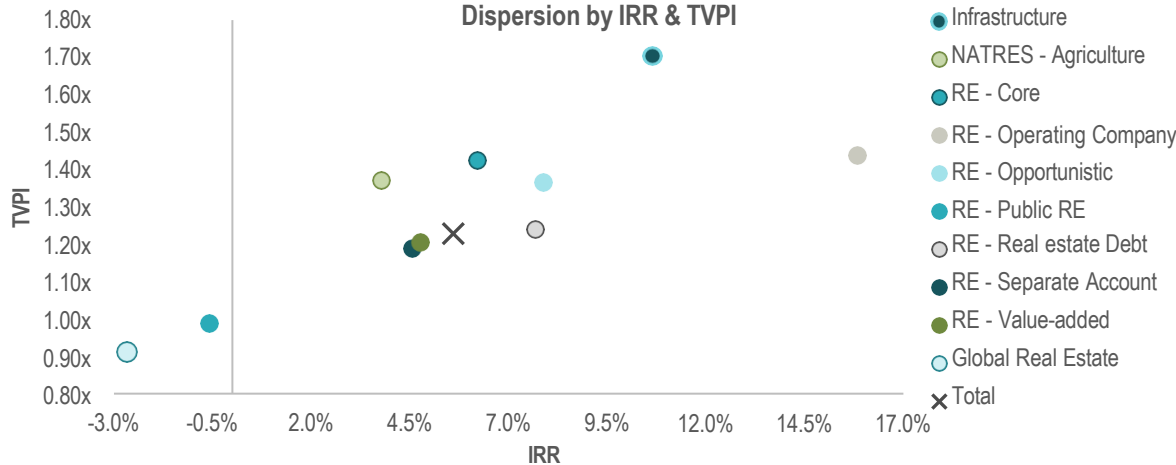
DISPERSION BY IRR & TVPI

Historical IRR & Multiples



► From 2013 through 2022, IRR and Distributed to Paid in Capital (“DPI”) trend up due to Control Investments (i.e., OpCos & SMAs), with a strong recovery after the post-pandemic dip. The dislocation in the capital markets has caused a decline over the past three years that has started to improve as markets stabilize and value creation continues.

Dispersion by IRR & TVPI



► Inception to date, OpCos continue to outperform the total ASRS Real Estate portfolio and other investment vehicles as plotted on the dispersion chart, illustrated to the left.

► SMA returns are relatively more volatile given the program is structured to constantly introduce risk assets resulting in a continuing J-curve (i.e., SMAs will typically skew lower in a dispersion chart relative to OpCos).



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Secure for your lifetime.

Real Estate Team

Micheal Copeland, Portfolio Manager Private Markets

Micheal Copeland is currently Senior Portfolio Manager Private Markets with the Arizona State Retirement System, responsible for co-managing the Private Equity and managing the Real Estate asset classes. Prior to joining ASRS in 2013, Mr. Copeland was a Portfolio Analyst at Protective Life Insurance Company in Birmingham, AL focusing on publicly traded debt. Mr. Copeland also holds the Chartered Financial Analyst® designation, awarded in 2013, and graduated from the University of Florida with a BSBA in Finance with a minor in Leadership. Mr. Copeland served in the United States Marine Corps Reserve from Jan 2000 - Jan 2006 and deployed to Iraq in 2003. Outside of work, Mr. Copeland enjoys spending time with his wife and two young kids. His interests and hobbies include hiking, golf, college football, playing guitar, interesting movies/shows, music and reading.



TAYLOR MAMMEN CEO, RCLCO FUND ADVISORS (RFA)

Taylor Mammen is Chief Executive Officer of RCLCO Fund Advisors (RFA), which advises institutional investors on all aspects of their complex real estate investment portfolios, from strategy development to underwriting and asset management. Taylor helped pioneer this business beginning in the aftermath of the Global Financial Crisis, when several prominent pension funds turned to RFA with the goal to construct better performing and more resilient real estate portfolios, and has grown it to become a highly respected institutional real estate advisor, working with some of the largest and most dynamic institutional investors in the world. In the process, Taylor and RFA have sourced, underwritten, and overseen investments on behalf of clients well in excess of \$10 billion. Taylor leads the firm's institutional investor client relationships and is responsible for the firm's growth and development, in addition to serving on the boards of clients' portfolio companies. Taylor is also a member of the Executive Committee of RCLCO, an RFA affiliate, which manages shared resources and oversees overall strategy for both companies.



Before helping to build RFA, Taylor joined RCLCO after serving as director of research for a boutique government relations consulting firm in Washington, D.C. and working with the Boston Redevelopment Authority on a public-private initiative to revitalize and "re-knit" downtown Boston in response to the "Big Dig." He received his Masters in City Planning from the Massachusetts Institute of Technology and a Bachelor of Arts in Political Science from Brigham Young University. He is an active member of the Pension Real Estate Association (PREA) and the Urban Land Institute, and is currently on the board of Envision Utah.

March 26, 2026

Agenda Item

4e.

Credit Asset Class



An agency of the State of Arizona



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2026 Credit Implementation Plan

Al Alaimo, Deputy CIO

John Trusiak, Portfolio Manager



Summary of the 2026 Implementation Plan

- We believe the Credit asset class will generate attractive returns and has the potential to outperform other asset classes over a multi-year time frame with less volatility.
- We have created a well diversified portfolio that we believe can generate annual returns of 8-9% over multi-year periods. Historical returns for our Credit investments support this 8-9% return target.
- As we will discuss in the Outlook section on page 14, this level of expected return is lower than the previous target of 9-10%.
- ***In this 2026 implementation plan, the Credit team is proposing to increase our net commitments by up to \$1.6 billion*** to maintain pace with the expected growth in the total fund over the coming years and target a 22% investment allocation consistent with the SAA target for the asset class.

Performance Update

Credit Summary

Period Ending Dec 31, 2025 (9/30/25 Actual)	Value	3 Months	1 Year	3 Year	5 Year	10 Year	Inception
Credit	11,978,914,024	1.45%	5.82%	7.86%	8.91%	8.84%	8.02%
Credit Custom BM (Qtr Lag)		1.51%	9.62%	12.56%	9.61%	8.29%	6.87%
Excess Returns		-0.06%	-3.79%	-4.71%	-0.70%	0.55%	1.15%

Dollar Weighted Returns (IRR) per Book of Record as of September 30, 2025							
Period Ending Sep 30, 2025		3 Months	1 Year	3 Year	5 Year	10 Year	Inception
Credit	IRR	1.36%	5.59%	7.76%	9.11%	8.96%	9.24%
MSCI Private Debt U.S. and Europe		0.82%	6.96%	8.93%	9.47%	8.55%	8.48%

¹ inception date 2012.

² Public market investments included High Yield Bonds from 2012 to 2018 and Emerging Market Debt from 2012 to 2015.

³ The ASRS Custom Credit Benchmark has varied over time. Most recently, the benchmark from 7/1/18 to 6/30/25 was the Morningstar LSTA Leveraged Loan Index lagged 1 quarter + 250 bps. As of 7/1/25, the benchmark is the MSCI Private Credit US and Western Europe Index.

⁴ IRRs are for private market investments only.

- For the 1-year actual period ended 9/30/25, the ASRS Credit asset class had a time-weighted return of 5.82%. This fell below the level of returns the Credit asset class has generated since inception and our target of 8-9%. The ASRS Credit portfolio also underperformed the ASRS Custom Credit benchmark for the 1-year actual period. For the actual quarter ended 9/30/25, the asset class had a time-weighted return of 1.45%, which slightly underperformed the benchmark.
- The return for the 1-year actual period was adversely affected primarily by write-downs of distressed assets in select Private Debt and Distressed Debt partnerships due to lower expected recovery values. For distressed corporate loans that had been converted to equity due to balance sheet restructurings (ex. Chapter XI or an out-of-court debt reorganization), the lower expected recovery values stem from a weak M&A market for troubled companies which impacted valuations as well as operating performance issues specific to the individual situation. Notably, in the quarter ended September 30th, the largest holding in a Distressed Debt partnership suffered a substantial change in its business outlook leading to a significant write-down of its valuation and adversely affecting the overall performance of the ASRS Credit asset class.

Comments on Credit Asset Class Performance

- Over the long-term, the Credit Asset Class has generated returns which exceeded its custom benchmark. The inception-to-date time-weighted return is 8.0%. Prior to 2018, the Credit Asset Class was partially allocated to investments in the public or tradable credit markets including high yield bonds and emerging market debt which generated lower returns than private market opportunities.
- The private markets component of Credit, which is where ASRS's investments have been focused since the creation of a consolidated Credit Asset Class in 2018, has delivered a higher return with an IRR since inception of 9.2%.
- We believe the recent weakness in Credit performance as exhibited in the one-year period will abate in the coming quarters and returns will likely improve in the latter half of 2026.
- The standard deviation of the Credit class returns since inception through 6/30/25 (actual) was only 2.86% vs. the 4.75% assumption used in the 2025 SAA Plan.

Credit Asset Class – Private Markets Performance Through 9/30/25 (Actual)

The performance data below reflects the returns of the private market allocation within the Credit Asset Class, which we believe is most relevant as it reflects how we have invested the portfolio since the creation of the asset class in FY 2018.

Credit Asset Class - Private Markets

Historical Performance for Period Ended Sep 30, 2025

	<u>QTR</u>	<u>1 Yr</u>	<u>3 Yr</u>	<u>5 yr</u>	<u>10 yr</u>	<u>ITD</u>
Total Credit	1.4%	5.6%	7.8%	9.1%	9.0%	9.2%
Private Debt	2.0%	7.1%	8.8%	9.7%	9.7%	9.9%
Other Credit	1.9%	8.0%	7.5%	8.2%	7.6%	9.7%
Distressed Debt	-2.7%	-4.5%	2.8%	7.1%	6.8%	6.7%

Note: The benchmarks for Private Debt, Distressed Debt and Other Credit are dollar matched IRRs which vary slightly from the Credit Asset Class time weighted benchmark.

Note: 5 year, 10 year and ITD returns include partnerships previously characterized as Private Debt and Opportunistic Debt investments prior to the creation of the Credit Asset Class in 2018.

Note: Performance IRR Returns are calculated by Burgiss and NEPC provided the benchmark data.

Note: The IRR Returns report calculates IRR using the reported end date noted in the chart above and roll forward (adjusted) valuations where necessary.

Outlook

Outlook

- We remain positive on the long-term outlook for the Credit Asset Class and believe an 8-9% expected return is achievable.
- Note that we have lowered our return expectations for the asset class from the previous 9-10% assumption used in prior Credit asset class implementation plans.
- **The lower target return of 8-9% reflects a combination of factors** including increased competition for private lending particularly in the US; lower interest rates in the US and Europe; and lower expected recovery rates for defaulted transactions due to a limited M&A market for troubled companies.
- Moreover, while we continue to underwrite new partnership opportunities with typical expected returns of 10% or higher, over the course a several year investment cycle, inevitably some partnerships will not meet our 8-9% target return expectations.
- We continue to believe that Credit has the potential to outperform other asset classes over a multi-year time frame with less volatility.

Update on Partnerships and Deployment

Investments in Credit

- Since its creation, the Credit Asset Class has grown to \$12.3 billion in FY 2025 from \$6.6 billion in FY 2018. As percentage of total fund, the asset class increased in size to 20.5% in FY 2025 from 16.6% in FY 2018.
 - The expansion reflects a combination of new partnerships, increased commitments to existing partnerships and reinvested earnings.
- For the fiscal year ended June 30, 2025, the \$12.3 billion invested in the Credit asset class was \$0.2 billion lower than the projected deployment of \$12.5 billion in the 2025 asset class implementation plan.
- Meanwhile, with the substantial rally in public equities, the total fund grew to \$59.9 billion in FY 2025, which was higher than the projected \$58.3 billion in the 2025 asset class implementation plan.
- As a result of the lower than projected deployment of capital to the asset class and higher than projected value of the total fund, investments in Credit were 20.5% of total fund vs. a projected 21.4% in the 2025 asset class implementation plan.

Investments in Credit

- We have created a diversified asset class of 21 *strategies* that are ***actively investing*** capital in the US and Europe:
 - 5 in Private Debt – U.S. Corporate Credit
 - 4 in Private Debt – Real Estate and Asset Backed Credit
 - 4 in Private Debt – European Credit
 - 5 in Other Credit
 - 3 in Distressed Debt
- As shown in the following slide, as of September 30, 2025, we have \$14.5 billion of net commitments, representing 23.4% of the total fund, which are ***actively investing*** capital. Over 75% of these active commitments are allocated to Private Debt partnerships.
- **Of the \$14.5 billion of active commitments, over 95% are in fund-of-one partnerships (or equivalent structures)** which provide ASRS with an evergreen partnership structure and an ability to terminate the investment period.

Summary of Credit Asset Class Commitments

As of 9/30/25

\$ millions	Manager Commitments Including Reinvested Income	Commitments in In Liquidation or Pending Liquidation ¹	Manager Commitments Net of Commitments In Liquidation ¹	Invested Capital
Private Debt				
US Corporate	\$7,092	\$1,386	\$5,706	\$5,112
Real Estate and Asset-Backed	\$3,134	\$125	\$3,009	\$1,375
European Credit	\$2,500	\$0	\$2,500	\$1,915
Total Private Debt	\$12,726	\$1,511	\$11,215	\$8,402
Distressed Debt	\$1,370	\$84	\$1,286	\$1,597
Other Credit	\$3,278	\$1,288	\$1,990	\$2,304
Total Credit (\$MM)	\$17,374	\$2,883	\$14,491	\$12,303
Total Credit (% of Total Fund)	28.1%	4.7%	23.4%	19.9%

¹ Partnership for which investment period has ended or will end in the near-term.

Active commitments

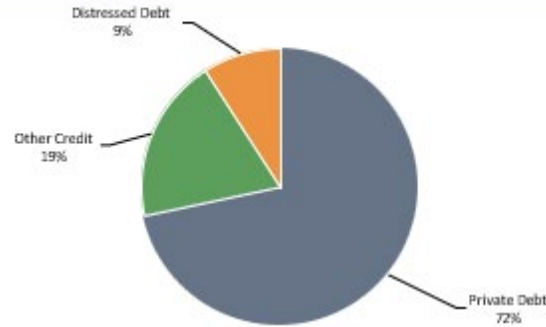
Changes in Partnership Commitments

- In 2025, total new commitments to partnerships which are actively investing in the Credit asset class increased by \$1.8 billion. This increase is consistent with the 2025 implementation plan to increase net commitments by that amount.
- We closed on \$1.4 billion of incremental commitments to five new partnerships and one existing partnership. In addition, we transferred a partnership with a \$400 million commitment for European real estate lending from the Real Estate asset class to the Credit asset class.
- The new commitments for the Credit asset class were as follows:
 - \$350 million for a new fund-of-one partnership investing in asset-based finance
 - \$150 million for a new commingled fund investing in asset-based finance
 - \$400 million for a new fund-of-one partnership investing in securitizations backed by privately originated residential mortgages.
 - \$350 million for a new fund-of-one partnership investing in European direct lending
 - \$150 million for an existing fund-of-one partnership investing in risk-sharing transactions (also known as SRTs)
 - \$400 million for a fund-of-one partnership investing in European real estate lending.

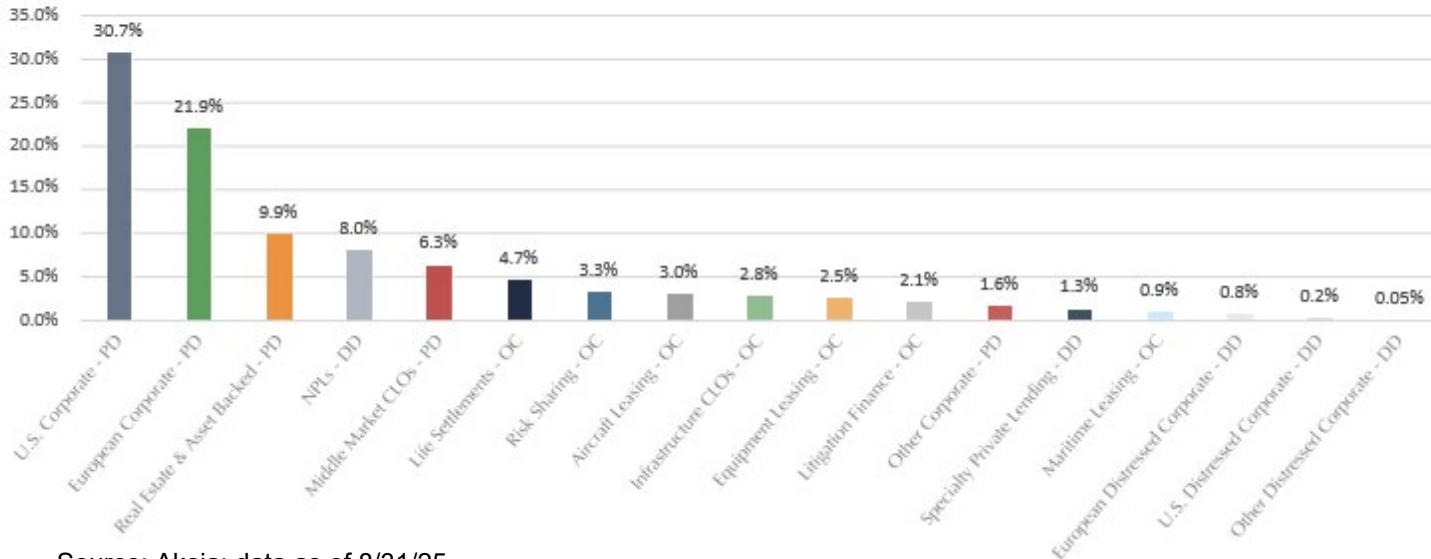
Credit Asset Class Metrics

Invested Capital

Strategy Exposure



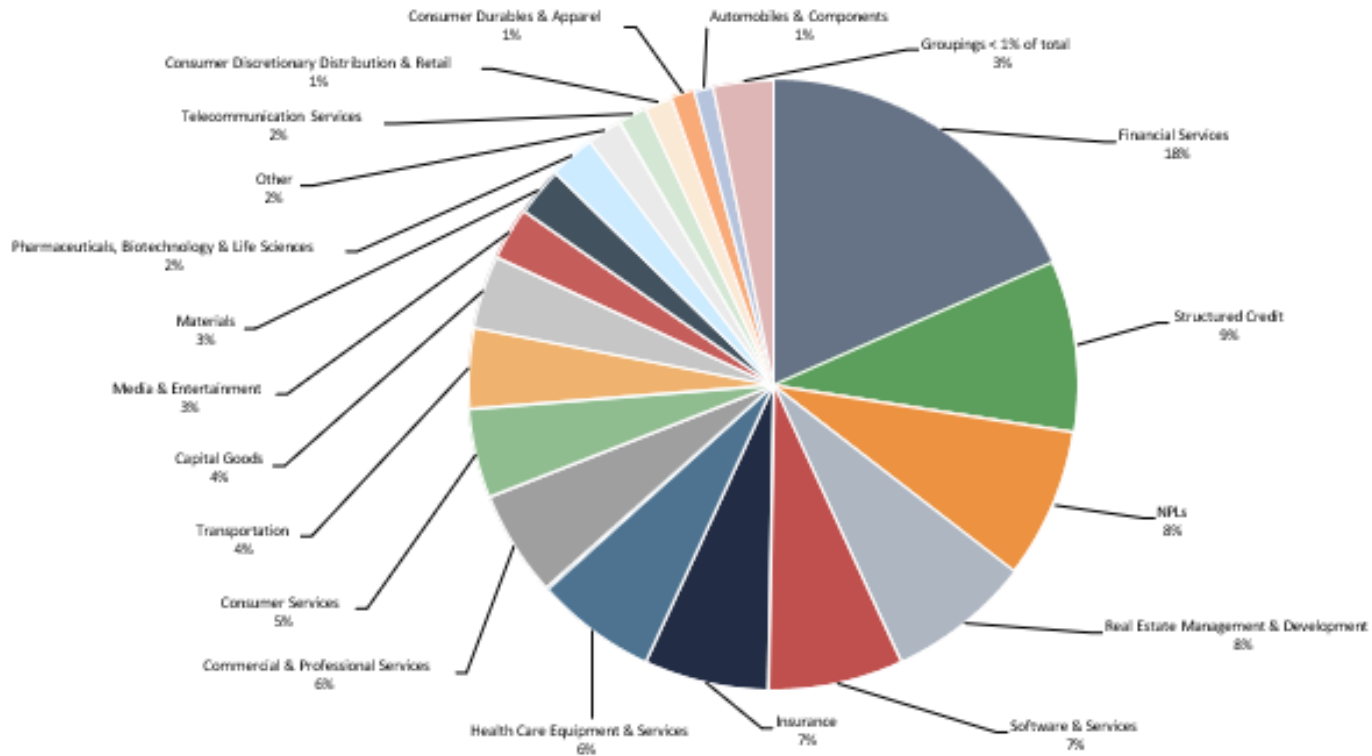
Sub-Strategy Exposure



Source: Aksia; data as of 8/31/25

Industry Exposure

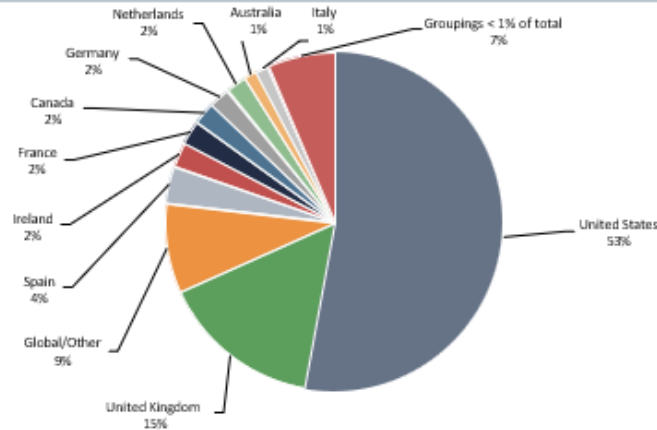
Industry Exposure



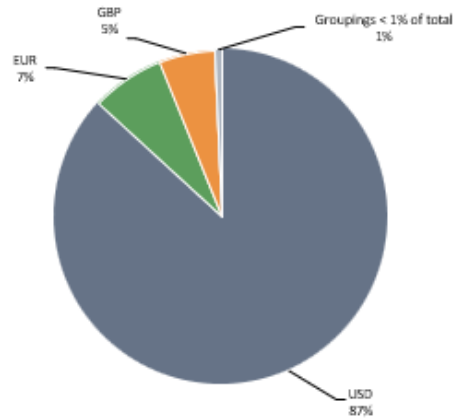
Source: Aksia; data as of 8/31/25

Geography and Currency Exposure

Geography Exposure



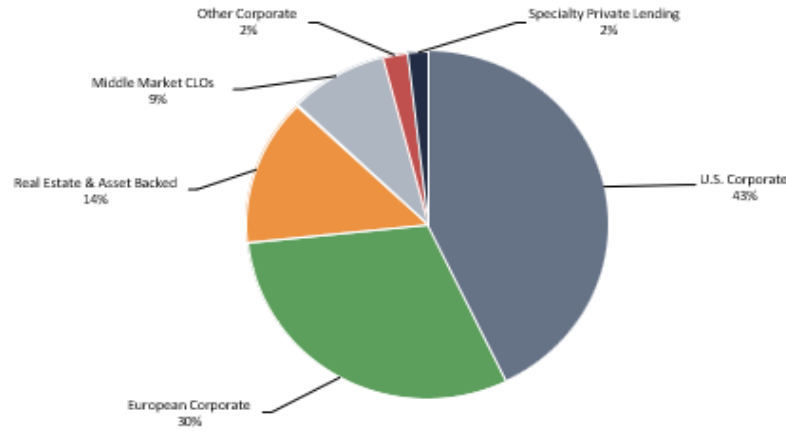
Currency Exposure



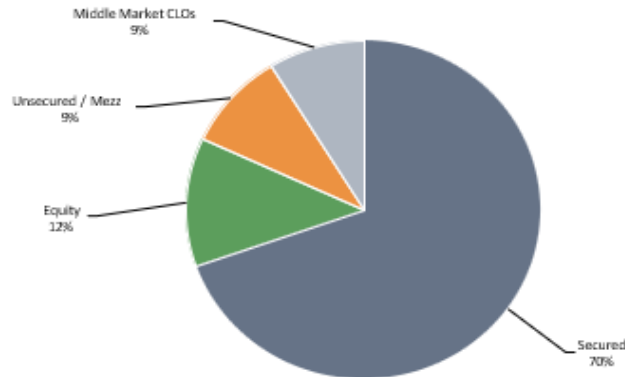
Source: Aksia; data as of 8/31/25

Private Debt – Strategy & Security Exposure

Strategy Exposure



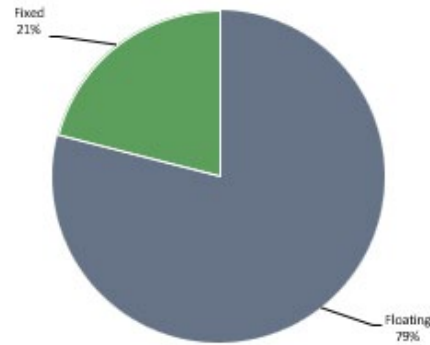
Security Exposure



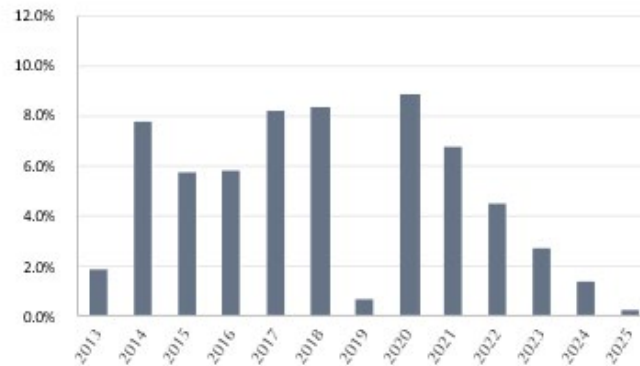
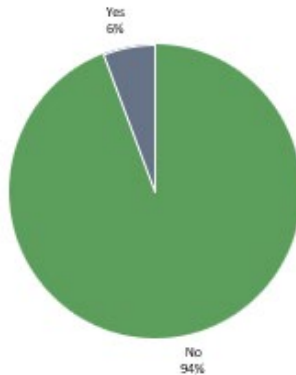
Source: Aksia; data as of 8/31/25

Private Debt – Fixed/Floating & Default Exposure

Fixed / Floating Exposure



Event of Default / Payment Default During Life of Investment

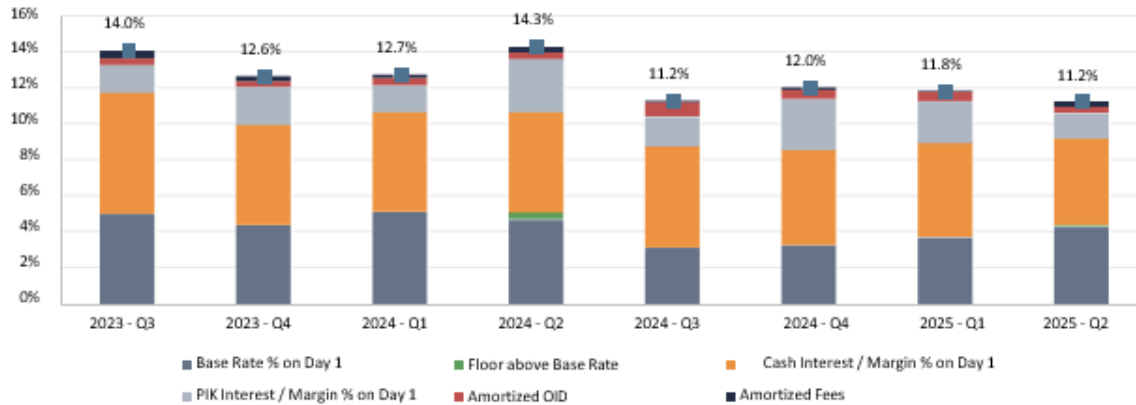


Please note: the table shows the % of deals underwritten in each year that have experienced a default.

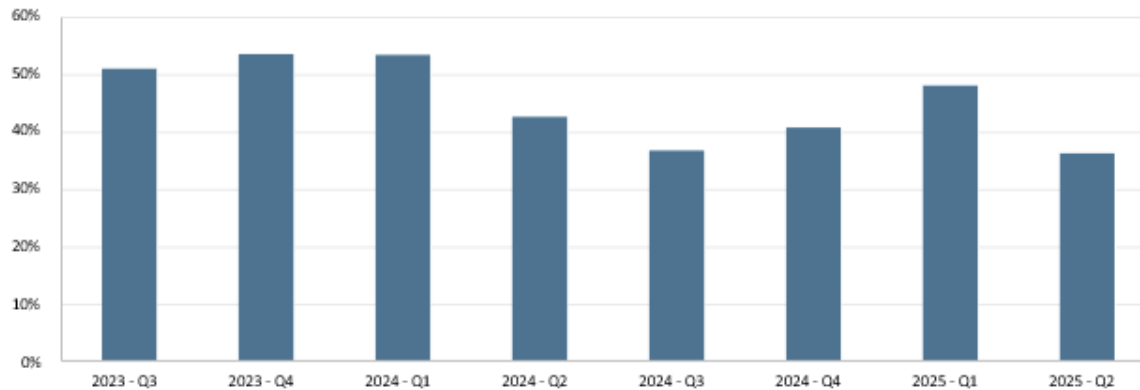
Source: Aksia; data as of 8/31/25

Private Debt – Yield and Loan-To-Value (LTV) Trends

Yield Components of Transactions Underwritten – by Quarter



Underwritten LTV % – Weighted Average by Quarter



Source: Aksia; data as of 8/31/25

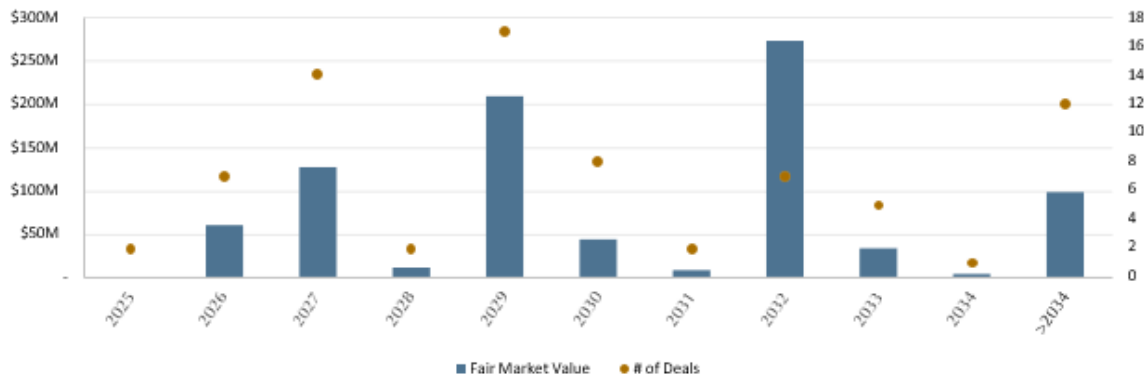
Private Debt – Weighted Average Maturities

Weighted Average Maturity - Loans



The average time to maturity for loans is 3.00 years when weighted by remaining fair value.

Weighted Average Maturity - Bonds



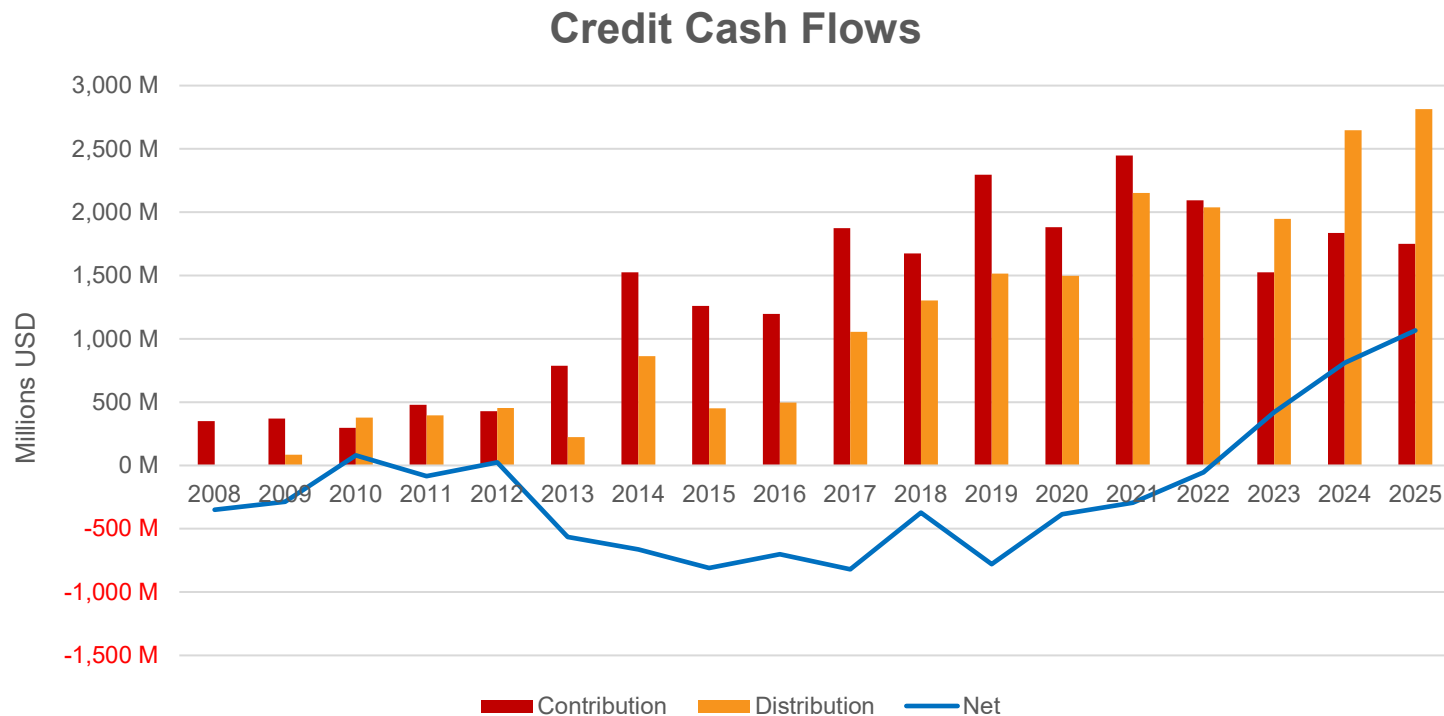
The average time to maturity for bonds is 6.79 years when weighted by remaining fair value.

Source: Aksia; data as of 8/31/25

Cash Flows from the Credit Asset Class

Cash Flows from the Credit Asset Class

- As shown below, the Credit asset class has generated substantial cash flow over the past few years for the total fund with distributions exceeding contributions primarily as a result of income distributions generated by Private Debt partnerships.



Source: Burgiss. 2025 cash flows are as of 11/15/25.

Projected Investments With Existing Commitments

Projected Investments With Existing Commitments

- The Credit Asset Class has grown from \$6.6 billion in FY 2018 to \$12.3 billion in FY 2025. As percentage of total fund, the asset class has grown from 16.6% in FY 2018 to 20.5% in FY 2025, an underweight vs. the SAA target of 22.0%.
- Based on our existing level of net commitments to the Credit Asset Class, we project that funded investments in Credit will increase to \$13.5 billion in FY 2026, \$14.1 billion in FY 2027 and \$14.2 billion in FY 2028.
- **Assuming the total fund grows by 5% per annum in FY 2026 – FY 2028, and our commitments remain unchanged, we project that the Credit Asset Class as percentage of total fund will stay below our target of 22% with projected investments of 21.4% in FY 2026, 21.4% in FY 2027 and to 20.5% in FY 2028.**
 - Within the asset class, we project that Private Debt as a percentage of total fund will grow from 13.5% in FY 2025 to 15.0% in FY 2028.
 - We project that Other Credit as a percentage of total fund will decrease from 4.0% in FY 2025 to 3.6% in FY 2028.
 - We project that Distressed Debt will decline as a percentage of total fund from 2.9% in FY 2025 to 1.9% in FY 2028.

Projected Investments - Credit

Credit Allocation												
ASRS Projected Investments (\$ millions)												
										Projected		
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	
Total Fund (+5% per annum in FY26, FY27 and FY28)	\$ 39,625	\$ 41,253	\$ 40,492	\$ 49,111	\$ 48,615	\$ 51,518	\$ 55,490	\$ 59,874	\$ 62,868	\$ 66,011	\$ 69,312	
US Corporate - Private Debt	2,780	3,302	4,044	4,326	4,907	5,026	5,202	5,170	5,142	5,225	5,379	
US Real Estate and Asset Backed	1,376	1,326	1,183	1,324	1,536	1,644	1,384	1,285	1,875	2,350	2,545	
European Credit	496	710	929	1,467	1,546	1,609	1,651	1,656	2,150	2,305	2,455	
Total Private Debt (\$)	4,651	5,338	6,155	7,117	7,989	8,279	8,237	8,112	9,167	9,880	10,379	
Total Private Debt (% of Total Fund)	11.7%	12.9%	15.2%	14.5%	16.4%	16.1%	14.8%	13.5%	14.6%	15.0%	15.0%	
Distressed Debt (\$)	1,277	1,696	1,451	1,438	1,541	1,569	1,711	1,738	1,599	1,340	1,300	
Distressed Debt (% of Total Fund)	3.2%	4.1%	3.6%	2.9%	3.2%	3.0%	3.1%	2.9%	2.5%	2.0%	1.9%	
Other Credit (\$)	360	322	904	1,531	1,893	1,897	2,259	2,410	2,692	2,898	2,501	
Other Credit (% of Total Fund)	0.9%	0.8%	2.2%	3.1%	3.9%	3.7%	4.1%	4.0%	4.3%	4.4%	3.6%	
High Yield (\$)	308	2	1	1	-	-	-	-	-	-	-	
High Yield (% of Total Fund)	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
Total Credit Asset Class (\$)	\$ 6,597	\$ 7,359	\$ 8,511	\$ 10,086	\$ 11,422	\$ 11,746	\$ 12,207	\$ 12,260	\$ 13,457	\$ 14,118	\$ 14,180	
Total Credit Asset Class (% of Total Fund)	16.6%	17.8%	21.0%	20.5%	23.5%	22.8%	22.0%	20.5%	21.4%	21.4%	20.5%	
Leverage - % of debt used to fund the portfolio	33.2%	35.4%	33.2%	30.1%	31.3%	33.5%	32.3%	34.5%	34.2%	34.3%	33.7%	
Maximum Leverage Allowed Per SAA	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	

Note: Private Debt, Distressed Debt and Other Credit are reported based on March 31st valuations adjusted for capital calls and distributions as of June 30th.

Proposed Increase in Commitments

Proposed Increase in Commitments

- ***For the 2026 implementation plan, we are proposing for the total fund to target a 22% allocation of invested capital in the Credit asset class, in-line with the SAA target, and to increase our net commitments by up to \$1.6 billion to meet this target.***
 - We believe that the vast majority, if not all, of the \$1.6 billion in new commitments can be made with our existing, scalable fund-of-one partnerships.
- Typically, new commitments are drawn down and invested over a 3 year period. Increasing our net commitments by \$1.6 billion will enable invested capital in the Credit asset class to grow along with the expected growth in the total fund over the coming years as well as offset the ongoing return of capital from existing partnerships in liquidation.
- The timing and amount of new commitments to be made will be subject to ongoing dialogue between the Deputy CIO, the CIO and the Director of ASRS; as well as tactical asset allocation house views, available investment opportunities the direction in size of the overall total fund, and the approval of the staff Combined Asset Class Committee (CACC).

Proposed Increase in Commitments

- Pro forma for proposed new commitments of \$1.6 billion in 2026, the Credit Asset Class will have \$16.1 billion of actively investing commitments (inclusive of reinvested or callable income), representing 26.0% of the total fund value as of September 30, 2025.
- Due to timing of implementing new commitments and the expected use of capital call facilities, we do not expect any new commitments to be deployed in FY 2026 and only to be partially deployed in FY 2027 and FY 2028.
- **As shown on the following page, assuming one-third of the proposed \$1.6 billion of new commitments is deployed in each of FY 2027 and FY 2028, we estimate that the Credit Asset Class will grow from \$12.3 billion in FY 2025 to \$15.2 billion in FY 2028. Credit would represent 22.0% of the total fund in FY 2028.**
- In the event that the size of the total fund does not grow as expected in the next few fiscal years and remains unchanged at the level of FY 2025 (\$59.9 billion), with the expected deployment of the \$1.6 billion of proposed commitments and a projected \$15.2 billion invested in the asset class, Credit would represent 25.4% of the total fund in FY 2028. This would be within the range of 17-26% of total fund as allowed in the 2025 SAAP.

Projected Investments With Proposed New Commitments

Estimate of New Commitments											
ASRS Projected Investments (\$ millions)											
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Projected		
									FY 2026	FY 2027	FY 2028
Total Fund (+4.5% per annum in FY23 and FY24)	\$ 39,625	\$ 41,253	\$ 40,492	\$ 49,111	\$ 48,615	\$ 51,518	\$ 55,490	\$ 59,874	\$ 62,868	\$ 66,011	\$ 69,312
US Corporate - Private Debt	2,780	3,302	4,044	4,326	4,907	5,026	5,202	5,170	5,142	5,225	5,379
US Real Estate and Asset Backed	1,376	1,326	1,183	1,324	1,536	1,644	1,384	1,285	1,875	2,350	2,545
European Credit	496	710	929	1,467	1,546	1,609	1,651	1,656	2,150	2,305	2,455
Total Private Debt (\$)	4,651	5,338	6,155	7,117	7,989	8,279	8,237	8,112	9,167	9,880	10,379
Total Private Debt (% of Total Fund)	11.7%	12.9%	15.2%	14.5%	16.4%	16.1%	14.8%	13.5%	14.6%	15.0%	15.0%
Distressed Debt (\$)	1,277	1,696	1,451	1,438	1,541	1,569	1,711	1,738	1,599	1,340	1,300
Distressed Debt (% of Total Fund)	3.2%	4.1%	3.6%	2.9%	3.2%	3.0%	3.1%	2.9%	2.5%	2.0%	1.9%
Other Credit (\$)	360	322	904	1,531	1,893	1,897	2,259	2,410	2,692	2,898	2,501
Other Credit (% of Total Fund)	0.9%	0.8%	2.2%	3.1%	3.9%	3.7%	4.1%	4.0%	4.3%	4.4%	3.6%
High Yield (\$)	308	2	1	1	-	-	-	-	-	-	-
High Yield (% of Total Fund)	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Credit Asset Class (\$)	\$ 6,597	\$ 7,359	\$ 8,511	\$ 10,086	\$ 11,422	\$ 11,746	\$ 12,207	\$ 12,260	\$ 13,457	\$ 14,118	\$ 14,180
Total Credit Asset Class (% of Total Fund)	16.6%	17.8%	21.0%	20.5%	23.5%	22.8%	22.0%	20.5%	21.4%	21.4%	20.5%
Estimated Incremental Commitments Needed to Achieve 22.0% Target and Assuming Funding Over 3 Years after FY 2026									\$ 1,600	← Incremental Need	
Estimated Incremental Investments from Proposed Incremental Commitments of \$1.6 billion									\$ -	\$ 533	\$ 1,067
Estimated Total Credit Asset Class with Proposed Incremental Commitments									\$ 13,457	\$ 14,652	\$ 15,247
Projected Total Credit Asset Class (% of Total Fund) with Proposed Incremental Commitments									21.4%	22.2%	22.0%
Note: Private Debt, Distressed Debt and Other Credit are reported based on March 31st valuations adjusted for capital calls and distributions as of June 30th.											

Investment Strategy and Implementation Approach

Investment Strategy

- We seek to identify investment opportunities in Credit - both private and public - that can exceed the target return of the total fund and the benchmark of the asset class while taking an acceptable level of risk.
- We seek to create a diversified portfolio of investments across a wide variety of potential market opportunities in the U.S. and in international markets.
- **Our goal is to create a portfolio which can generate an 8-9% net IRR over an extended period of time with limited volatility.**
 - The returns of the Credit Asset Class have demonstrated relatively stable performance in comparison to other risky asset classes.
 - Per MSCI, Credit, which recently represented $\approx 19.7\%$ of the market value allocation of the total fund, contributed only 5.6% of the total fund volatility.
 - The limited volatility in ASRS's Credit Asset Class is due to a combination of factors including: 1) the standard valuation methodology of private credit assets is much less affected by mark-to-market price adjustments and 2) lower expected credit losses for privately-negotiated investments as a result of full due diligence by the investment manager and bespoke tailoring of deal terms.

Investment Opportunities

- We believe there are compelling investment opportunities in Credit to exceed the performance target of the total fund as well as the Credit asset class benchmark over a multi-year time frame.
- These opportunities are almost exclusively in private rather than public markets or are in areas of the market, such as distressed debt, which typically require investments in locked-up vehicles with limited liquidity¹.
- While there are periods when the public credit markets (such as high yield bonds and leveraged loans) outperform private markets, we believe that over an extended, multi-year period of time that private credit markets will generate higher rates of return with much less variability than public market opportunities.
- Moreover, in contrast to the private markets, the public credit markets do not provide investors with the opportunity for full due diligence and bespoke tailoring of deal terms.

¹ ASRS has significantly mitigated lockup illiquidity by negotiating a right of early termination of the investment period in most partnerships which, if exercised, would accelerate the return of capital from the partnership.

Investment Opportunities

- In order to achieve the 8-9% target return over an extended period of time, we view the Credit Asset Class as having three areas of private credit investment opportunity:
 - **Private Debt** – illiquid loans and bonds that typically fund highly leveraged, below investment-grade equivalent companies and real estate properties that are typically too small in size to meet the requirements of the tradable leveraged loan, high yield bond, commercial mortgage-backed and asset-backed securities markets.
 - **Distressed Debt** – loans or bonds in which the borrower has defaulted on its obligation to repay, is expected to default or is in financial distress.
 - **Other Credit** – credit opportunities that are not encompassed in Private Debt or Distressed Debt, and offer an expected return which will likely meet or exceed the Credit Asset Class benchmark.

Implementation Approach

- Identify attractive market opportunities (both established and developing).
- Partner with leading managers in their respective markets.
- Use scale to negotiate lower fees and improve expected returns.
- Utilize leverage when appropriate to enhance returns on diversified portfolios of assets with relatively low expected losses.
- Focus primarily on ***fund-of-one partnerships*** with customized terms that offer the following advantages to ASRS:
 - Scalable Commitment
 - Early termination right/liquidity option
 - Customized investment restrictions
 - Evergreen
 - Higher expected returns for leveraged strategies from a more efficient utilization of leverage vs. commingled funds, which have set ramp-up and ramp-down investment periods
- As of September 30, 2025, over 95% of our net commitments to partnerships that were actively investing in the Credit Asset Class, including all of our private debt and distressed debt strategies, were in fund-of-one partnerships (or an equivalent structure) with an early termination right.

Compliance With Leverage Target of SP002

Leverage

- Fund level leverage is primarily utilized by Private Debt managers to enhance returns.
- Our partnership agreements place limits on the maximum leverage that can be utilized; these limits are typically expressed as a multiple of the equity in the partnership. Depending on the expected diversification of the underlying portfolio, maximum leverage for our Private Debt partnerships ranges from 1.0x to 1.75x. Our partnerships have historically been managed with leverage well below these maximum limits.
- In addition, small amounts of fund level leverage in the form of subscription lines may be utilized to facilitate capital calls. Managers which hedge currency exposure may also utilize a small amount of leverage in the form of a working capital line for the posting of margin.
- It should be noted that a number of strategies in the Credit Asset Class invest in stand-alone, separate investment structures that in turn borrow to enhance returns on stable pools of assets. Borrowings in these investment structures are done on a non-recourse basis to the overall fund or partnership. These borrowings are not debt obligations of the fund, and, consequently, are not included on the balance sheet of the fund. Examples include investments in the equity or first loss tranche of CLOs, Freddie B securitizations, and aircraft leasing e-note securitizations.

Leverage Target

- Per SP002, the Credit asset class is targeted for leverage of up to 60% on aggregate portfolio basis.
- We project that the asset class will stay well within the leverage target.
 - At approximately 34% in FY 2025, we project that leverage on the Credit portfolio will stay at approximately that level through FY2028.

ASRS Leverage As Measured Per GAAP (\$ millions)	Actual								Projected		
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	Total Credit Asset Class - ASRS Investment	\$ 6,597	\$ 7,359	\$ 8,511	\$ 10,086	\$ 11,422	\$ 11,746	\$ 12,207	\$ 12,260	\$ 13,457	\$ 14,118
Maximum Leverage Per SP002 - Borrowings as % of Portfolio Asset Value	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Maximum Leverage Allowable Per SP002 (\$)	\$ 9,895	\$ 11,038	\$ 12,767	\$ 15,129	\$ 17,134	\$ 17,618	\$ 18,311	\$ 18,390	\$ 20,186	\$ 21,178	\$ 21,271
Estimated Leverage of Credit Asset Class (\$)	\$ 3,284	\$ 4,038	\$ 4,232	\$ 4,347	\$ 5,206	\$ 5,912	\$ 5,834	\$ 6,466	\$ 6,993	\$ 7,366	\$ 7,203
Estimated Leverage % of Credit Asset Class - Borrowings as % of Portfolio Asset Value	33%	35%	33%	30%	31%	33%	32%	35%	34%	34%	34%

Appendix 1

ASRS History in the Credit Asset Class

ASRS History in the Credit Asset Class

- ASRS has been investing in Credit since 2008 when we began to make select investments in Opportunistic Debt to take advantage of the dislocation in the credit markets caused by the Great Financial Crisis.
- Additionally, two public market credit strategies were added to the total fund's SAA for a period of time -- High Yield (from 2009-2018) and Emerging Market Debt (from 2012-2015).
- In 2012, Private Debt was added to the SAA with a 3% target; this target was raised to 10% in 2015 and 12% in 2017.
- In 2018, an all-encompassing Credit asset class was created in the SAA with a 20% target, and a range of 10%-30%. Since then, we have focused on investing in attractive **private** market opportunities, which can deliver superior returns over the long-term with less volatility than comparable public market opportunities. For example, High Yield was exited following the creation of the Credit asset class in 2018.
- In 2022 and 2025, new SAA targets for the Credit asset class were set at 23% and 22%, respectively, as a percentage of total fund with a range of 17%-26%.

Appendix 2

The Credit Asset Class and the Credit Asset Class Benchmark

The Credit Asset Class

- **The Credit Asset Class is focused on debt obligations – bonds or loans to companies or individuals – where the primary risk is the ability of the borrower to perform on the debt obligation (ex. pay interest on time, not violate covenants) and repay it as agreed.**
- **Because some borrowers inevitably cannot repay their debts, bonds and loans may become “distressed” which can lead to attractive investment opportunities for new investors.**
- **The Credit Asset Class is comprised of riskier, below investment-grade debt obligations – both performing and distressed – which offer much higher potential returns and are less sensitive to changes in interest rates than the investment-grade corporate credit market.**

Credit Asset Class Benchmark Effective FY 2026

- **With the adoption of a new SAA in 2025, the benchmark for the Credit Asset Class changed effective July 1, 2015 to the MSCI Private Credit U.S. and Western Europe.**
- **The MSCI Private Credit U.S. and Western Europe custom benchmark measures the performance across over 850 funds of private credit investments, including direct lending, mezzanine debt, and distressed credit. It uses fund-level data from institutional investors to track key metrics such as IRR and TWR.**
 - The custom benchmark captures the performance of private credit investments from 2014 through the most recent quarter (lagged). The universe consists of funds in North America, Western Europe and the UK that are classified as generalist, senior, mezzanine, distressed and unclassified/other.

Credit Asset Class Benchmark FY 2018-2025

- **From FY 2018 – 2025, the benchmark for the Credit Asset Class was the Morningstar LSTA US Leveraged Loan Index plus 250 bps.**
 - Note that, effective August 2022, the S&P/LSTA Leveraged Loan Index was rebranded as Morningstar LSTA US Leveraged Loan Index.
- **The Morningstar LSTA US Leveraged Loan Index measures the tradable, broadly syndicated leveraged loan market in the U.S.**
- **As leveraged loans are floating-rate instruments and not subject to interest-rate risk, we believe the Morningstar LSTA US Leveraged Loan Index is a very good measure of pure credit risk in the below investment-grade, tradable market.**
- **The 250 bps reflects an assumed illiquidity premium as we expect the vast majority of investments in the Credit Asset Class to be in illiquid investments or structures.**

Credit and Interest Rate Sensitive Team

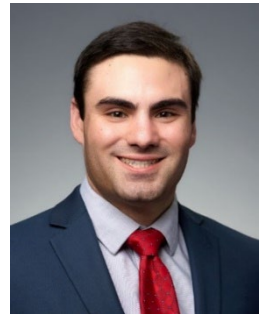
Al Alaimo, CFA
Deputy Chief Investment Officer

Mr. Alaimo is the DCIO for the Arizona State Retirement System where he has worked since 2009. He oversees investments in the Credit and Interest Rate Sensitive asset classes. Previously, he was a Portfolio Manager and Director of Research for Seneca Capital Management LLC in San Francisco and a Managing Director in high-yield bond research for Banc of America Securities LLC in New York and Chicago. From 2010-2013, he taught an undergraduate course on Fixed Income which he created for the Finance Department at the W.P. Carey School of Business at Arizona State University. He has an M.B.A. from the Simon Business School at the University of Rochester and a B.S. in accounting and finance from Syracuse University.



John Trusiak
Portfolio Manager, Interest Rate Sensitive

John is the Portfolio Manager for Interest Rate Sensitive for the Arizona State Retirement System where he has worked since 2022. John is a third generation Arizonan with a background in real estate, credit and private investments. He is a graduate from the W.P. Carey School of Business at Arizona State University. His past work places include work at STORE Capital and SMS Financial. Additionally, he was recently admitted to the Milken Institute's Rising Allocators program, currently on the board of the Risk Management Association – Arizona and also a member of Big Brothers Big Sisters of Arizona.



Investment Operations Team

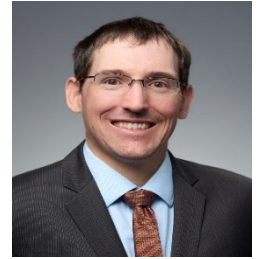
Lupita Breland **Investment Operations Manager**

Lupita works as the Investment Operations Manager with the Arizona State Retirement System where she has worked since 1995. Prior to her current role Lupita has served in various functions within the Investment Management Division including, but not limited to Fixed Income Portfolio Manager and an International Equity Portfolio Analyst. She holds a BA and an MBA in Business Administration from Western International University.



James Samolowicz **Senior Operations Analyst**

James works as a Senior Operations Analyst with the Arizona State Retirement System where he has worked since 2019. Prior to joining the ASRS in 2019, he worked with accounting firm PWC in the Los Angeles and Irvine offices. He holds an active Arizona Certified Public Accountant (CPA) Credential, as well as a MS in Accounting from the University of Southern California and a BA in Accounting from Saint Leo University.



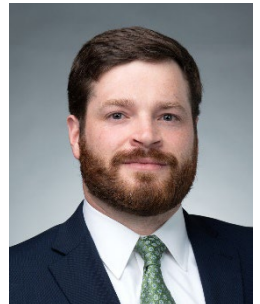
Rebecca Fox **Operations Analyst**

Becky works as an Operations Analyst with the Arizona State Retirement System where she has worked since 2008. Prior to joining the ASRS in 2008, she served in the United States Air Force from 2000 to 2006. She holds a BA in Accounting from Western International University and an AS in Criminal Justice from the University of Maryland.



Evan Smith **Senior Performance Measurement Analyst**

Evan currently works as the Senior Performance Measurement Analyst with the Arizona State Retirement System. Prior to joining ASRS in 2024, Evan was a Performance & Analytics Client Service Consultant at State Street where he serviced West Coast pension funds, corporates, and endowment clients. In 2013, he received a Bachelor's Degree from California State University, Chico, majoring in Economics.



March 26, 2026

Agenda Item

4f.

Preliminary Total Fund Investment Performance



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Preliminary Performance:

For period ending February 28, 2026



Preliminary

Total Performance Summary

Report ID: IPM0005

TOTAL NET OF FEES

Reporting Currency: USD

02/28/2026

Annualized

Account Name Benchmark Name	Market Value (M)	% of Total	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD	Inception Date
Total Plan	64,048.92	100.00	3.41	8.98	14.60	11.02	9.06	9.74	7.55	9.60	07/01/1975
Interim SAA Policy			3.41	9.55	13.43	11.70	8.37	8.95	6.98	9.21	07/01/1975
Excess Return			0.00	-0.56	1.17	-0.68	0.69	0.79	0.56	0.39	07/01/1975
Total Public Equity	29,024.94	45.32	6.33	17.13	26.03	20.98	11.92	12.80	8.73	8.30	01/01/1998
Custom Public Equity			6.27	16.92	25.60	20.73	11.69	13.19	8.99	8.04	01/01/1998
Excess Return			0.05	0.21	0.43	0.25	0.23	-0.38	-0.26	0.27	01/01/1998
Private Equity	8,368.04	13.07	0.98	5.00	8.02	7.14	14.09	12.76		9.13	09/01/2007
Private Equity Custom BM			1.50	5.82	1.40	12.55	8.58	9.81			09/01/2007
Excess Return			-0.52	-0.82	6.62	-5.40	5.51	2.95			09/01/2007
Interest Rate Sensitive	3,795.86	5.93	1.42	4.36	5.52	4.39	0.00	1.83	3.37	6.96	07/01/1975
Interest Rate Sensitive BM			1.39	4.20	5.32	4.18	-0.27	1.62	3.15		07/01/1975
Excess Return			0.03	0.17	0.20	0.21	0.27	0.21	0.23		07/01/1975
Credit	11,952.88	18.66	0.84	2.75	5.32	7.74	8.57	8.90		7.95	07/01/2013
Credit Custom Benchmark			1.51	5.37	7.36	11.61	9.01	8.38		6.78	07/01/2013
Excess Return			-0.67	-2.62	-2.03	-3.88	-0.44	0.52		1.17	07/01/2013
Real Estate	9,466.25	14.78	1.16	-0.32	4.54	-1.98	3.51	5.60	5.71	5.35	12/01/2005
Custom ASRS ODCE (Net)			0.52	1.34	3.19	-6.15	2.45	4.13	4.92	5.10	12/01/2005
Excess Return			0.63	-1.66	1.36	4.17	1.06	1.47	0.78	0.25	12/01/2005



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March 26, 2026

Agenda Item

5

Risk Analysis and Investment Compliance



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March 26, 2026

Agenda Item

5a.

Risk Analysis



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ASRS Total Plan Risk Report for period ending December 31, 2025

Robert B. Butler, Investment Risk & Compliance Officer



1. ASRS Risk Philosophy

- *Maximize Fund Rates of Return for Acceptable Levels of Fund Risk*
- *Mitigate Contribution Rate Volatility*

2. Asset Class Correlation

- *ASRS Assets are fairly diversified across different asset classes*

3. Asset Class Contribution to Volatility

- *Total equity exposure in the ASRS plan contributes about 85% of the overall portfolio volatility.*

4. Hypothetical Stress Test Scenarios

- *In most historical stress test scenarios, our current portfolio would have outperformed our benchmark portfolio.*

5. Largest Exposures & Concentrations

- *ASRS is its own largest manager (US stocks, bonds, real estate)*
- *Largest stock: Nvidia*



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ASRS INVESTMENT POLICY STATEMENT

- Investment Goals & Objectives Related to Risk
- *Maximize Fund Rates of Return for Acceptable Levels of Fund Risk*
- Returns generated or earned by the investment Fund should be considered in conjunction with the risk or volatility that the Fund will support, where risk is essentially the possibility of a change in the value of the ASRS Fund attributed to changes in economic conditions, interest rates, dividend policy and other variables in any given year.
- *Mitigate Contribution Rate Volatility*
- The structuring of the investment Fund should be considered in conjunction with the level, volatility, and direction of the contribution rates that will need to be paid by both employees and employers in the Fund. In general, lower levels and volatility in contribution rates are preferred.
- The impact on contribution rates of short-term investment volatility is mitigated through actuarial methods (smoothing & amortizing). Therefore, lowering expected short-term investment volatility at the expense of lowering expected returns is not necessary.

Investment Risk is the fundamental driver of returns

- Investment Risk is a process, activity or exposure that generates returns.
- Investment Risk is multi-dimensional.
 - Risk means different things to different people
 - There are different parameters of risk simultaneously impacting a portfolio and providing opportunity to generate returns
- In order to make money, you have to take Investment Risk
 - We mitigate risk through owning diversified portfolios and engaging in significant due diligence when taking on idiosyncratic risk

Volatility as Risk

- While much of modern portfolio theory treats volatility as a proxy for risk, more recent research calls to doubt whether volatility is a driver of returns.
- Volatility does seem positively connected to expected returns across asset classes (especially between equities and bonds), the same relationship doesn't seem to hold within asset classes.
- ASRS is relatively indifferent to shorter-term volatility in devising its investment strategy.
- As a long-term investor, we ride out market declines and attempt to profit from them through rebalancing and tactical positioning.

Asset Class Correlation & Contribution to Volatility



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CORRELATION REPORT OF THE MAJOR ASSET CLASSES

Portfolio	US Equity	Non US Equity	Private Equity node	Interest Rate Sensitive	Credit	Real Estate
US Equity	1.00					
Non US Equity	0.81	1.00				
Private Equity node	0.75	0.65	1.00			
Interest Rate Sensitive	0.03	0.12	0.02	1.00		
Credit	0.37	0.41	0.60	0.22	1.00	
Real Estate	0.57	0.54	0.45	0.16	0.26	1.00

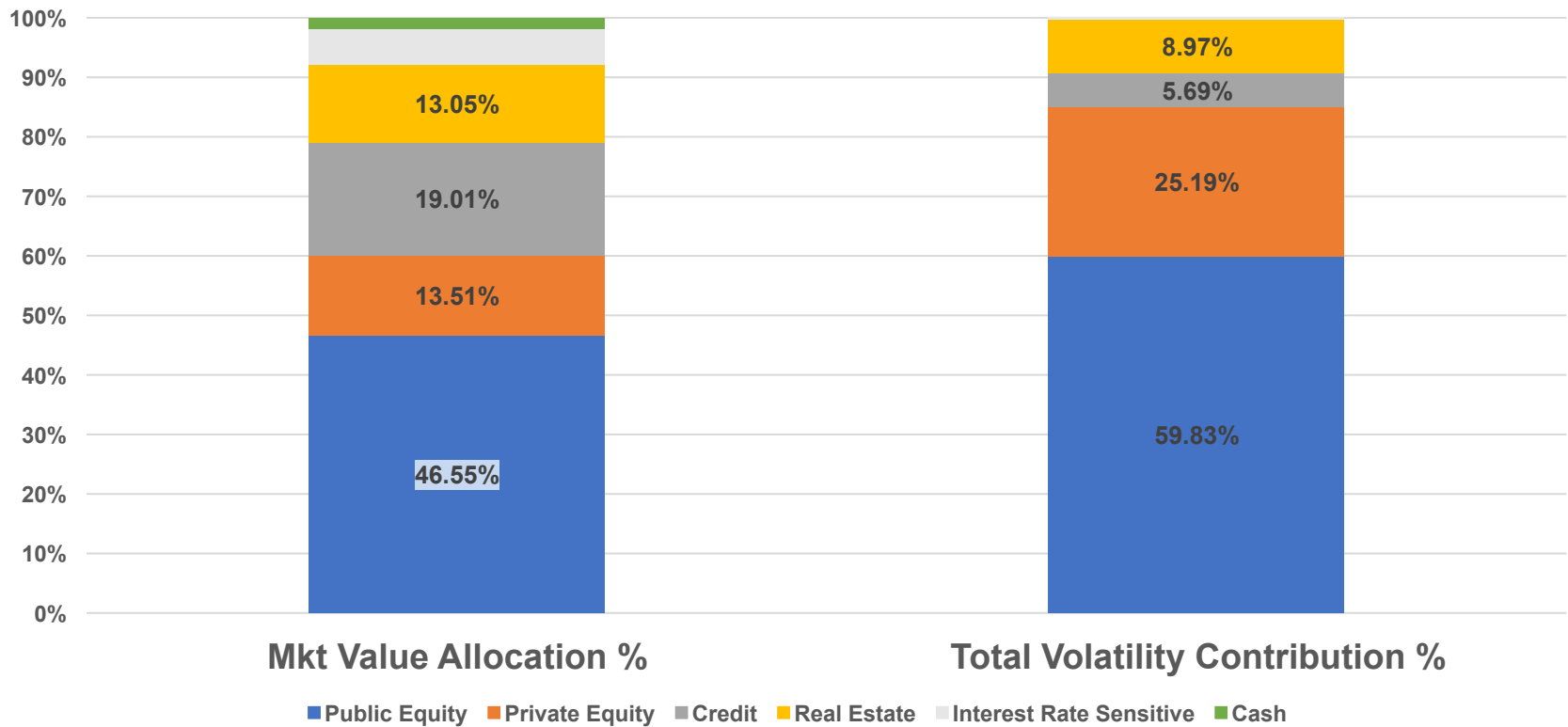
- ASRS Assets are fairly diversified across different asset classes. While Fixed Income (Interest Rate Sensitive) investments are a major source of portfolio diversification, Credit and Real Estate also add meaningful diversification benefits.

As of December 31, 2025



CURRENT VOLATILITY CONTRIBUTION OF THE MAJOR ASSET CLASSES

Total equity exposure in the ASRS plan (60% public & private equity) contributes about 85% of the overall portfolio volatility.



As of December 31, 2025



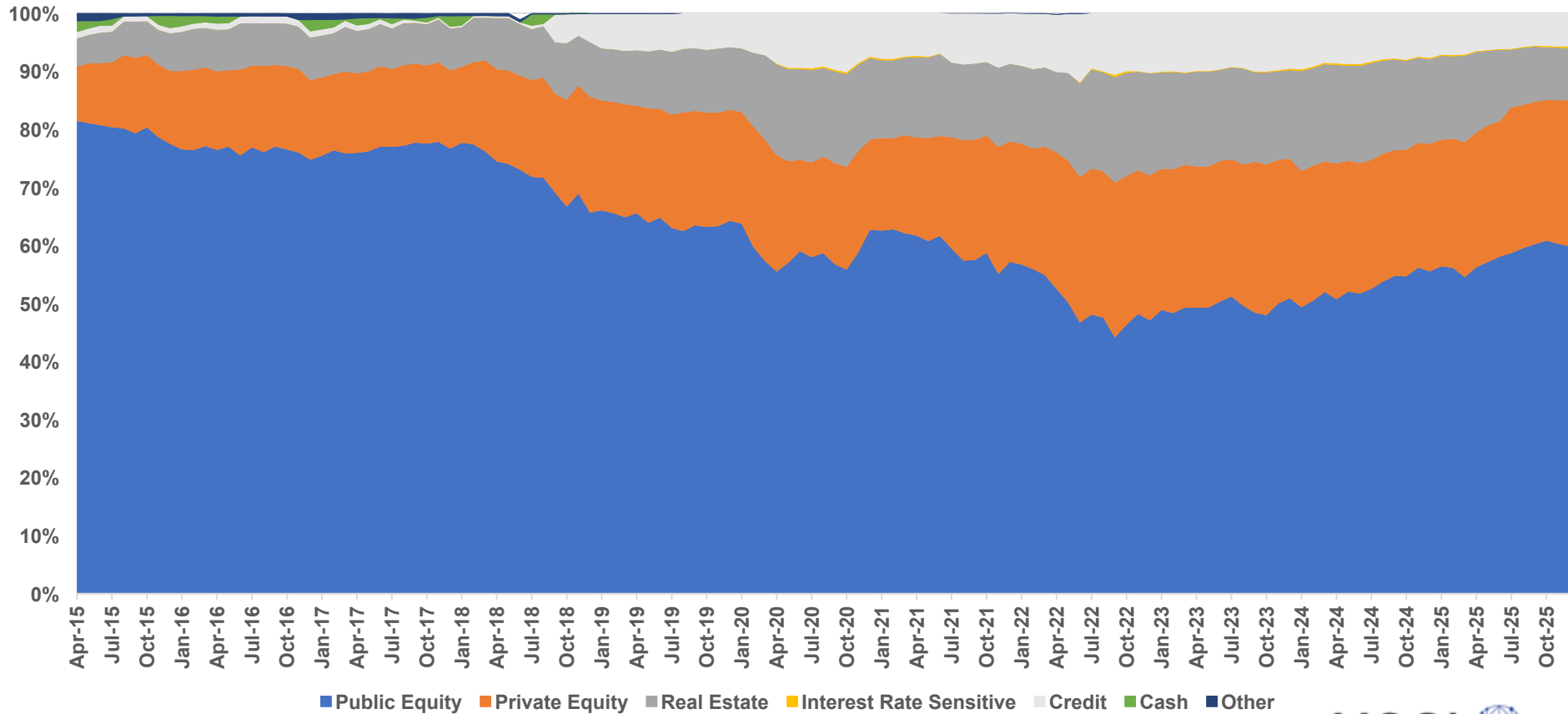


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HISTORICAL VOLATILITY CONTRIBUTION OF THE MAJOR ASSET CLASSES

Equities (Public & Private) account for about 85% of the contribution to volatility. This has been increasing for the past 3 years.

Total Risk Contribution %



As of December 31, 2025



Hypothetical Stress Test Scenarios

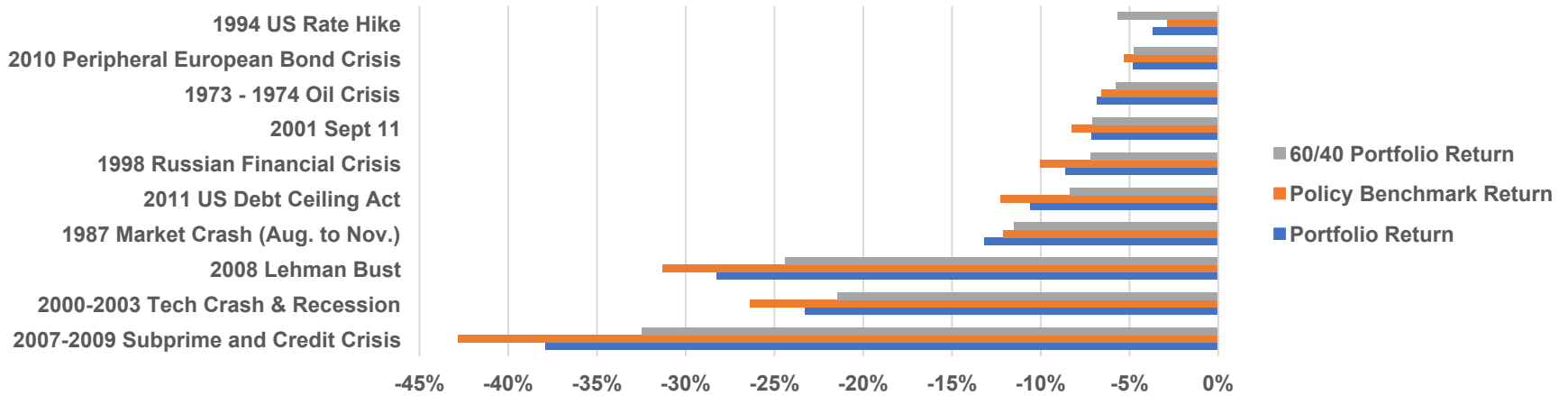
Historical scenarios highlight the sensitivity of the current portfolio to past economic and market events. The scenarios can be thought of as a “what if” analysis of the current portfolio’s allocation to understand the potential impact if a similar event were to happen.



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Hypothetical Stress Testing Historical Scenarios

Historical Scenarios



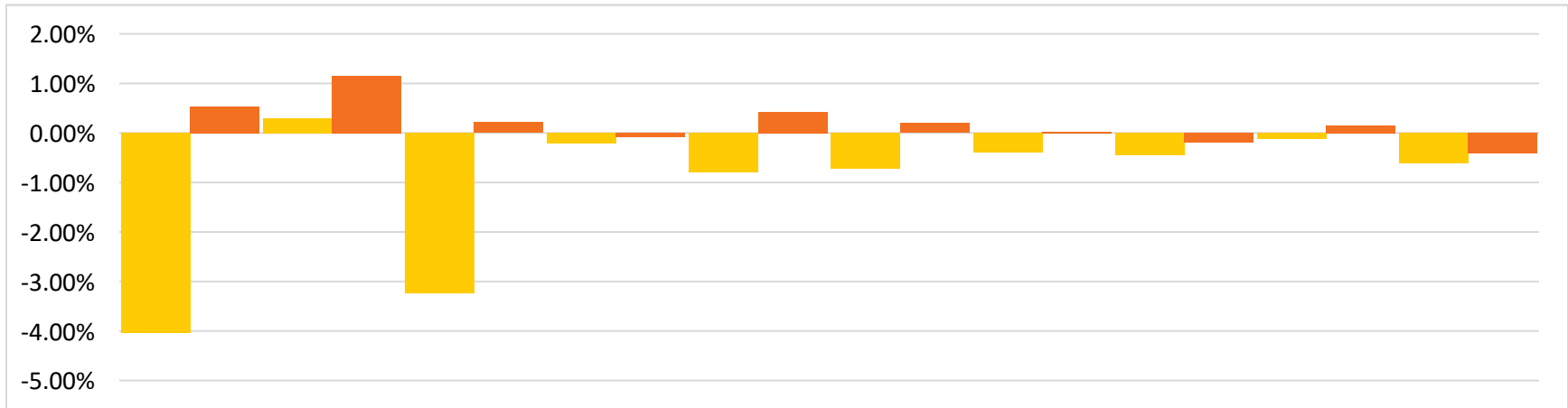
Scenario	2007-2009 Subprime and Credit Crisis	2000-2003 Tech Crash & Recession	2008 Lehman Bust	1987 Market Crash (Aug. to Nov.)	2011 US Debt Ceiling Act	1998 Russian Financial Crisis	2001 Sept 11	1973 - 1974 Oil Crisis	2010 Peripheral European Bond Crisis	1994 US Rate Hike
Portfolio Return	-37.9%	-23.3%	-28.2%	-13.2%	-10.6%	-8.6%	-7.1%	-6.8%	-4.8%	-3.7%
Policy Benchmark Return	-42.8%	-26.4%	-31.3%	-12.1%	-12.3%	-10.0%	-8.2%	-6.6%	-5.3%	-2.8%
60/40 Portfolio Return	-32.5%	-21.5%	-24.4%	-11.5%	-8.3%	-7.2%	-7.1%	-5.8%	-4.7%	-5.6%





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Diversifying Asset Contribution in Hypothetical Historical Scenarios



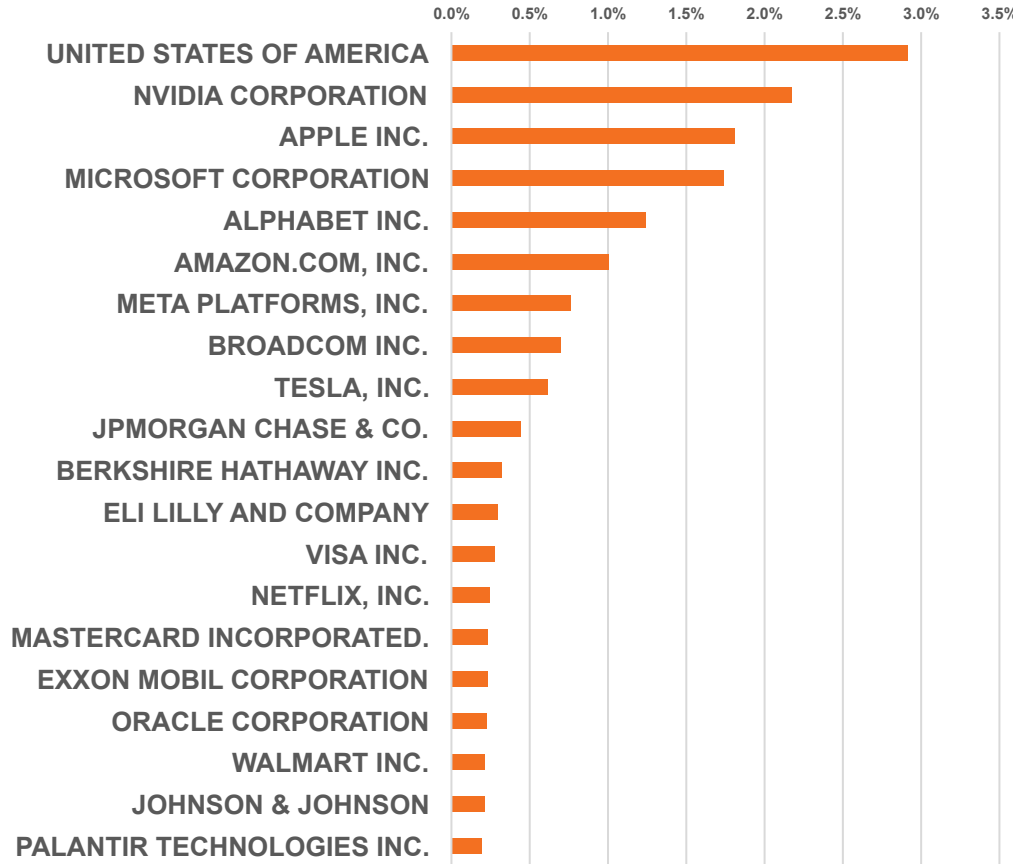
Asset Class	2007-2009 Subprime and Credit Crisis	2000-2003 Tech Crash & Recession	2008 Lehman Bust	1987 Market Crash (Aug. to Nov.) with US Rates	2011 US Debt Ceiling Act	1998 Russian Financial Crisis	2001 Sept 11	1973 - 1974 Oil Crisis	2010 Peripheral European Bond Crisis	1994 US Rate Hike
Credit	-4.04%	0.30%	-3.23%	-0.20%	-0.79%	-0.71%	-0.39%	-0.44%	-0.13%	-0.61%
Interest Rate Sensitive	0.53%	1.16%	0.21%	-0.09%	0.42%	0.20%	0.03%	-0.19%	0.15%	-0.42%



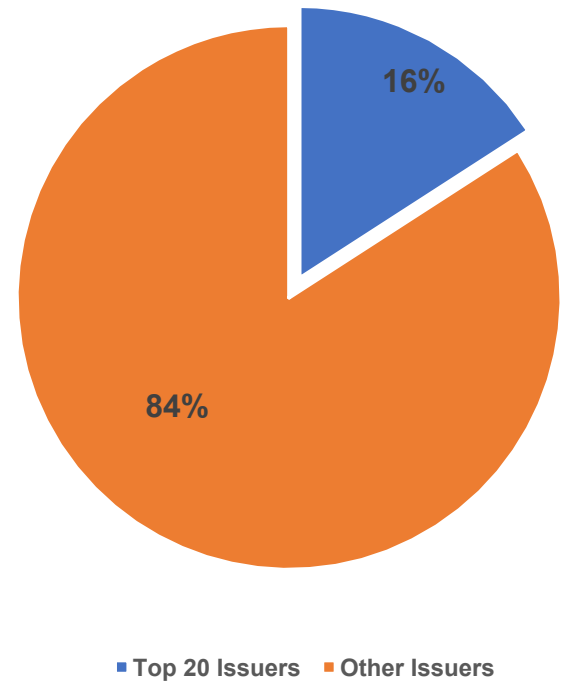
Largest Exposures & Concentrations

Top 20 Global Issuers

Top 20 Global Issuers by Weight (%)



Market Value of Top 20 Issuers



As of December 31, 2025





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Public Investment Managers

Manager	Market Value	% of Total Plan
ASRS Internally Managed	\$21,512,785,105	34.21%
Fixed Income	\$3,006,174,727	4.78%
US Large Cap	\$14,798,636,386	23.53%
US Mid Cap	\$2,065,426,808	3.28%
US Small Cap	\$1,642,547,184	2.61%
BlackRock	\$9,208,658,136	14.64%
US Fixed Income	\$724,355,790	1.15%
Emerging Markets	\$1,747,974,893	2.78%
World Ex-US	\$5,600,707,602	8.91%
World Ex-US Small Cap	\$1,135,619,852	1.81%
Legal & General	\$1,547,889,931	2.46%
Emerging Markets	\$738,551,129	1.17%
World Ex-US	\$809,338,802	1.29%
Total Public Markets*	\$32,269,333,172	51.31%

As of December 31, 2025

5 Largest Private Investment Managers by Asset Class

Manager	Strategy	Market Value	% of Total Plan
Private Credit		\$12,003,914,391	19.09%
HPS Investment Partners	Private Debt-US Corporate	\$2,722,524,602	4.33%
Cerberus	US Corporate & Distressed Debt	\$1,764,520,394	2.81%
Ares Management	European Credit & Asset Backed	\$1,573,680,592	2.50%
Monroe Capital	Private Debt-US Corporate	\$1,181,418,450	1.88%
Related Fund Management	Real Estate Credit	\$733,277,361	1.17%
Real Estate		\$9,348,009,890	14.86%
Mill Creek Residential Trust	Residential	\$2,296,132,507	3.65%
Related Fund Management	Residential	\$2,060,956,333	3.28%
Westcore Industrial Properties	Industrial	\$1,406,306,712	2.24%
Menlo Equities	Data Center	\$556,176,506	0.88%
Tricon Residential	Residential	\$497,789,638	0.79%
Private Equity		\$8,228,755,231	13.08%
JP Morgan Asset Management	Co-Investment Program	\$868,369,460	1.38%
Veritas Capital	Large Buyout	\$426,254,059	0.68%
Vista Equity Partners	Buyout	\$398,075,474	0.63%
Arlington Capital Partners	Mid Buyout	\$380,063,958	0.60%
K1 Investment Management	Small Buyout	\$368,161,027	0.59%
Total Private Markets		\$29,580,679,512	47.03%

As of December 31, 2025



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Largest Private Investment Manager Allocations

Manager	Asset Class	Market Value	% of Total Plan
Related Fund Management	Real Estate & Private Credit	\$2,794,233,694	4.44%
HPS Investment Partners	Private Credit	\$2,722,524,602	4.33%
Mill Creek Residential	Real Estate	\$2,296,132,507	3.65%
Cerberus	Private Credit	\$1,764,520,394	2.81%
Ares Management	Private Credit & Private Equity	\$1,613,445,898	2.57%
Westcore Industrial Properties	Real Estate	\$1,406,306,712	2.24%
Monroe Capital	Private Credit	\$1,181,418,450	1.88%
JP Morgan Asset Management	Private Equity Co-Investment Program	\$868,369,460	1.38%
Blackstone	Real Estate, Private Equity & Private Credit	\$758,181,716	1.21%
Intermediate Capital Group	Private Credit & Real Estate	\$585,167,420	0.93%
Total Top 10 Private Managers		\$15,990,300,853	25.42%
Total Private Markets		\$29,580,679,512	47.03%

As of December 31, 2025



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Largest External Manager Concentration

Manager	Asset Class	Market Value	% of Total Plan
BlackRock	Non-US Public Equities & US Fixed Income	\$9,208,658,136	14.64%
Related Fund Management	Real Estate & Private Credit	\$2,794,233,694	4.44%
HPS Investment Partners	Private Credit	\$2,722,524,602	4.33%
Mill Creek Residential	Real Estate	\$2,296,132,507	3.65%
Cerberus	Private Credit	\$1,764,520,394	2.81%
Ares Management	Private Credit & Private Equity	\$1,613,445,898	2.57%
Legal & General	Non-US Public Equities	\$1,547,889,931	2.46%
Westcore Industrial Properties	Real Estate	\$1,406,306,712	2.24%
Monroe Capital	Private Credit	\$1,181,418,450	1.88%
JP Morgan Asset Management	Private Equity Co-Investment Program	\$868,369,460	1.38%
Top 10 External Managers		\$24,403,499,784	40.39%

As of December 31, 2025

Staff Biography

Robert B. Butler, CFA, PRM – Investment Risk & Compliance Officer

Mr. Butler is the Investment Risk & Compliance Officer for the Arizona State Retirement System where he has worked since 2021. He is a tenured Investment professional with a focus on alternative investments and risk management with an interest in cyber security and geopolitics.

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March 26, 2026

Agenda Item

5b.

Investment Compliance



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ASRS Investment Compliance Report

for the March 26, 2026 Investment Committee Meeting

Robert B. Butler, Investment Risk & Compliance Officer



Executive Summary

- **Internally Managed Portfolios Pre-Trade Compliance System**
 - No exceptions occurred during the period under review.
- **ASRS Custody Bank's Investment Compliance Program**
 - Public Markets Portfolios Independent Investment Compliance Review
 - Total Fund Monthly Statutory Investment Compliance Review
 - The ASRS Custody Bank's review found a few findings resulting from index changes, corporate actions, and informational flags – all findings were resolved.
- **Private Markets Investment Compliance Program**
 - RCLCO - Real Estate Separate Account Investment Compliance Review
 - 2023 review has been completed & 2024 review process has begun.
 - Meketa Investment Group - Commingled Funds & Non-Real Estate Separate Accounts Investment Compliance Review
 - 2020 & 2021 reviews completed
 - 2023 reviews in process.

Internally Managed Portfolios Pre-Trade Compliance System

- For the internally managed portfolios, the Investment Management Division (IMD) utilizes Bloomberg's Trade Order Management System (OMS) for executing and processing trades.
- The OMS platform has built-in pre-trade compliance rules capabilities to ensure trades will not surpass the established portfolio guidelines.
- Compliance rules are based on the investment guidelines:
 - Approved Investment Strategy Papers.
 - Applicable Arizona Revised Statutes.

Internally Managed Portfolios Pre-Trade Compliance System

- Pre-Trade Compliance was performed on all internally managed fixed income and equity portfolios, for the period November 2025 to February 2026.
- No exceptions occurred during the period under review.

Custody Bank Investment Compliance Program

Public Markets Portfolios Independent Investment Compliance Review

- The ASRS Custody Bank's Compliance Group provides daily and monthly compliance monitoring at the individual portfolio level for all internal and external investment portfolios on a post-trade basis.
- Daily monitoring allows for closer insight into the managers activity.
- The investment compliance rules are based on the investment guidelines:
 - Letters of Direction & Clarification (LODs) for the externally managed portfolios.
 - Investment Strategy Papers for the internally managed portfolios.
 - Applicable Arizona Revised Statutes.

Additional Layers of Compliance for countries currently designated by the US Department of State as State Sponsors of Terrorism

- Our Public Market Investments are based on Indices that do not include state sponsors of terrorism or other sanctioned countries.
- Bloomberg flags sanctioned companies on their system, thus restricting trading and information related to those companies within their system.
- For public investments, our custody bank runs screens of our portfolio holdings to confirm that there are no investments in companies in violation of federal anti-terrorism laws.
- For private investments, our agreements with general partners inform them of our policy to not invest in any company that is in violation of federal anti-terrorism laws.
- Additionally, our agreements now inform general partners that investments related to the People's Republic of China are prohibited due to Arizona statute (§A.R.S. 35-395).

Custody Bank Investment Compliance Program

Total Fund Monthly Statutory Investment Compliance Review

- The ASRS Custody Bank’s Compliance Group provides reporting and monitoring at the Total Fund level, known as the “Monthly Statute Tests Compliance” for:
 - Five mandated Arizona Revised Statutes on investment limits, under §A.R.S. 38-718.H-L.
 1. Max 80% Equity Test (§A.R.S. 38-718.H)
 2. Max 40% Non-US Public Investments Test (§A.R.S. 38-718.I)
 3. Max 60% Internally Managed Assets Test (§A.R.S. 38-718.J)
 4. Max 5% Issuer Test (§A.R.S. 38-718.K)
 5. Max 10% Debt of Multinational Development Banks Test (§A.R.S. 38-718.L)
 - Arizona Restricted Country Tests
 - The test is setup to look at the Fund’s investment’s country of incorporation to identify companies that do business in or with countries currently designated by the US Department of State as State Sponsors of Terrorism, pursuant to §35-392, Arizona Revised Statutes, as added by Laws 2007, Chapter 201 .
 - An additional screen has been added to ensure compliance with the new Arizona statute prohibiting public fund investments related to The People’s Republic of China. (§A.R.S. 35-395)
- Per statute requirements, the results are measured using market value.

Custody Bank Public Markets Portfolios & Statutory Investment Limits Compliance Review Summary

- The ASRS Custody Bank's Compliance Group performed compliance reviews on all public markets portfolios and, at the Total Fund level, investments, for the period November 2025 through January 2026.
- Public Markets Investment Limits:
 - 4 public markets portfolios for the period November 2025 – January 2026 were reviewed (equities, fixed income).
 - The ASRS Custody Bank's review found a few findings resulting from index changes, corporate actions, and informational flags.
 - All findings were researched and resolved to both the custody bank and ASRS's satisfaction, for all periods.
- Total Fund Monthly Statutory Investment Limits:
 - Total Fund investments passed the five mandated statutes on investment limits, as well as the Arizona Restricted Country Tests for all periods.

Private Markets Investment Compliance Program

RCLCO - Real Estate Separate Account Investment Compliance Review

- Review the calculation of ASRS Net Asset Value (i.e. the waterfall calculation) and comment to the manager and ASRS if any errors are noted.
- Review audited financial statements at a high level for significant issues.
- Review and note if financial statements are prepared on a fair value basis, noting whether liabilities are marked to market or not.
- Review the management fee calculation and other fees paid to the manager, including review of the NOI calculation to determine if it has been calculated correctly, if appropriate reserves have been deducted, and comment any noted errors to the manager and ASRS.
- Review valuation policies for consistency with ASRS policies, operating agreements, and standards.
- Review expense policies for consistency with ASRS policies, operating agreements, and standards.
- Work with the manager and ASRS as necessary to address concerns and questions.

Private Markets Investment Compliance Program

RCLCO - Real Estate Separate Account Compliance Review Summary

- RCLCO has completed all 22 compliance reviews for the 2023 review period.
- RCLCO's review found immaterial inconsistencies related to the management fee, NAV calculations, and equity positions, none of which had an impact to the percentage allocation of NAV between the ASRS and the Funds. All findings have been satisfactorily resolved.
- While each of the foregoing issues have been addressed by the respective managers, RFA will continue monitoring both the calculations and corrective actions going forward.
- The 2024 review process has begun.

Private Markets Investment Compliance Program

Meketa Investment Group - Commingled Funds & Non-Real Estate Separate Accounts Investment Compliance Review

- Review managers' calculations of:
 - Asset management fees
 - Partnership expenses
 - Carried interest
- Review investment valuation policy
- Ensure calculation and policy agree to investment documentation, agreements, and manager policies.
- If a deficiency is noted, the consultant will address with the sponsor and work to resolve deficiencies.
- All results are communicated to ASRS.
- A summary report will be presented to the ASRS annually to communicate findings.

Private Markets Investment Compliance Program

Meketa Investment Group - Commingled Funds & Non-Real Estate Separate Accounts Investment Compliance Summary Review:

- Meketa has completed all 39 compliance reviews for the 2020 period, and no material issues were identified during the reviews of these funds.
- Meketa has completed 32 reviews for the 2021 period
- The 2023 reviews are in process, 10 reviews completed.
- As a reminder: new, streamlined, report structure has been agreed to by ASRS and Meketa.

Robert B. Butler, CFA, PRM **Investment Risk & Compliance Officer**

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March 26, 2026

Agenda Item

6

Presentation, Discussion, and Appropriate Action Regarding
Methods and Processes for External Private Investment
Compliance Review.





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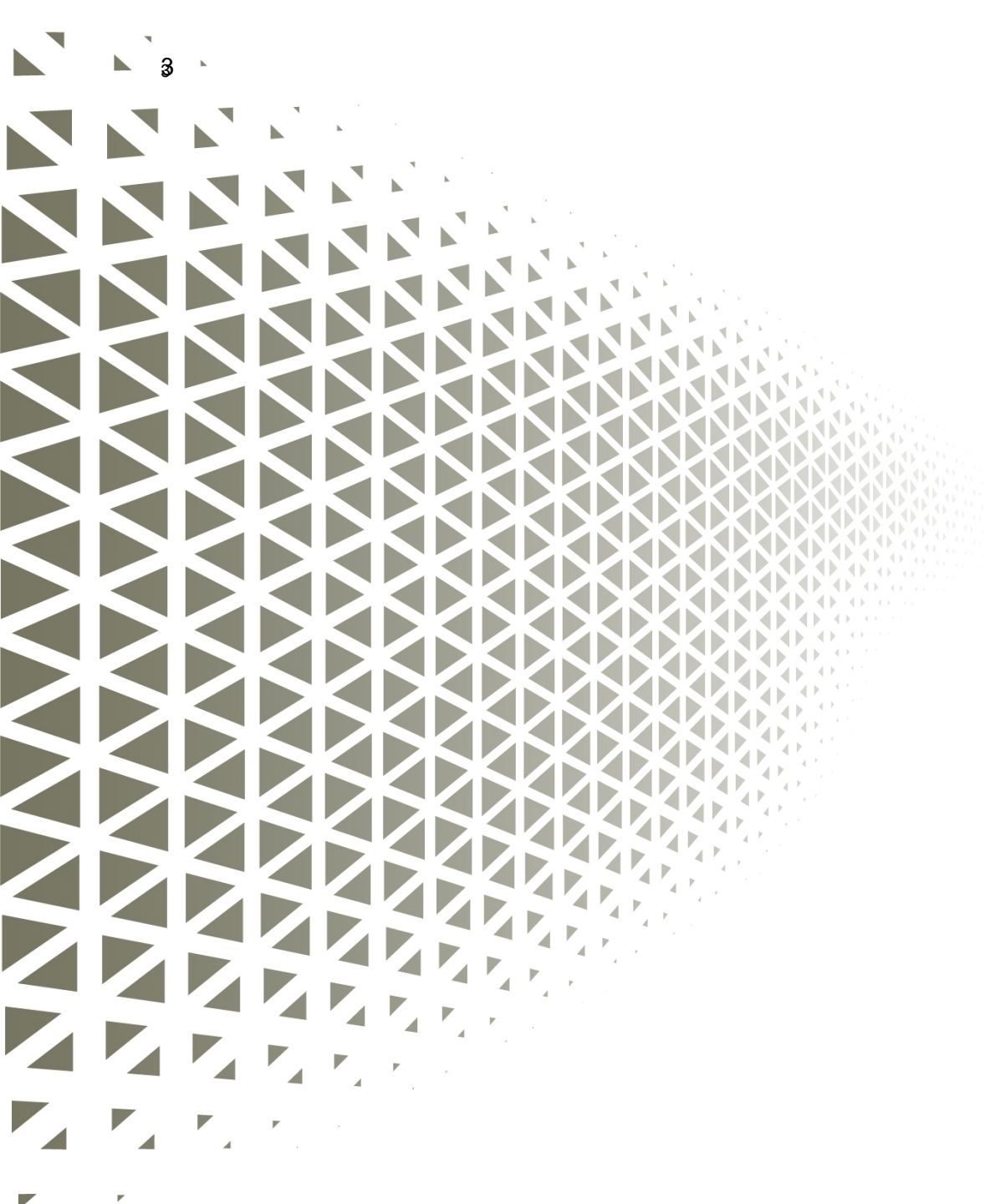
ASRS External Private Investment Compliance Review

for the March 26, 2026, Investment Committee Meeting

Robert B. Butler, Investment Risk & Compliance Officer

Executive Summary & Background Info

- **Private Markets Investment Compliance Program History**
 - Program formally started based on suggestion from External Audit Partner
- **Pre-Investment Due Diligence**
 - Internal Investment Staff
 - External Investment Consultant Partners
- **Ongoing Investment Monitoring**
 - Internal Investment Staff
 - External Investment Consultant Partners
 - Fund Audits
- **RCLCO - Real Estate Separate Account Investment Compliance Review**
- **Meketa Investment Group - Commingled Funds & Non-Real Estate Separate Accounts Investment Compliance Review**



Real Estate SMA Compliance Review & 2023 Summary of Findings

Prepared for
Arizona State Retirement System
Friday, March 6, 2026



The information contained in this report is confidential, may be legally privileged, and is intended only for the use of Arizona State Retirement System.

Annual Compliance Review

• GOALS AND OBJECTIVES

- Ensure financial statements are prepared in accordance with ASRS Reporting Standards and Operating Agreement (“OA”) requirements
- Determine if an appropriate valuation policy is in place
 - ASRS valuation is properly calculated in accordance with stated policy
 - Waterfall mechanics of the partnership agreement
- Determine if an appropriate expense policy is in place
 - Confirm expense allocations are appropriate and permitted under the OA
- Ensure Manager fees are calculated correctly and in accordance with the OA

Annual Compliance Review

• REVIEW PROCESS

- Review audited financial statements at a high level for significant issues
- Review and note if financial statements were prepared on a fair value basis
- Review and independently verify the calculation of ASRS' Net Asset Value (NAV) as of year-end:
 - This calculation of NAV reflects ASRS's net proceeds—after all fees and incentive payments per the terms of the partnership agreement—if all assets were sold
 - The calculation of ASRS NAV is based on the allocation of the total NAV of the SMA or venture based on a waterfall calculation on a “hypothetical liquidation at book value” (HLBV) basis
- Review and independently verify the management fee calculation and other fees paid to the manager and/or its affiliates
- Review and assess compliance to insurance requirements per the terms of the partnership agreement
- Review valuation policies for consistency with ASRS policies, OA, and standards
- Review expense policies for consistency with ASRS policies, OA, and standards
- Work with the manager and ASRS as necessary to address concerns and questions
- Review corrective actions from prior compliance reviews and validate implementation
- Prepare a report summarizing each review, including appendices demonstrating the results of the above tasks

2023 Relevant Findings and Corrections

- SMA 10
 - Overstatement of ASRS NAV of approximately \$659,591 in 2023
 - Failure to record Manager accrued promote in NAV
 - ASRS NAV calculation corrected in Q3 2025
 - Asset Management fee calculation incorrect in 2023 resulting in overpayment of \$98,249
 - Discrepancies between actual equity and recorded equity totals
 - Credit for overpayment made in January of 2024
- SMA 11
 - Asset management fee calculation incorrect in 2023 resulting in overpayment of \$47,809
 - Dates of funding did not align with Burgiss
 - Credit for overpayment and accounting record update to occur in Q1 2026

2023 Calendar Year Findings After Corrections

SMA	Audited Financial Statements	HLBV / NAV Calculations	Asset / Investment Management Fees	Property Management Fees	Developer / Construction Management Fees	Venture Expense Reimbursements	Professional Services / Leasing / Other Fees	Insurance, Expense & Valuation Policies
SMA 1	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	Compliant
SMA 2	Compliant	Compliant	Compliant	N/A	N/A	Compliant	N/A	Compliant
SMA 3	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SMA 4	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SMA 5	Compliant	Compliant	Compliant	N/A	N/A	Compliant	N/A	Compliant
SMA 6	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SMA 7	Compliant	N/A	Compliant	N/A	N/A	N/A	N/A	Compliant
SMA 8	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	Compliant
SMA 9	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SMA 10	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	N/A	Compliant
SMA 11	Compliant	Compliant	Compliant	Compliant	N/A	N/A	N/A	Complaint
SMA 12	Compliant	Compliant	Compliant	Compliant	N/A	Compliant	N/A	Compliant
SMA 13	Compliant	Compliant	Compliant	Compliant	N/A	Compliant	N/A	Compliant
SMA 14	Compliant	Compliant	Compliant	Compliant	N/A	Compliant	N/A	Compliant
SMA 15	Compliant	Compliant	Compliant	Compliant	N/A	Compliant	N/A	Compliant
SMA 16	Compliant	Compliant	Compliant	N/A	N/A	Compliant	N/A	Compliant
SMA 17	Compliant	Compliant	Compliant	N/A	N/A	Compliant	N/A	Compliant
SMA 18	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	Compliant
SMA 19	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SMA 20	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	Compliant
SMA 21	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	Compliant
SMA 22	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant	N/A	Compliant

MEKETA

- Arizona State Retirement System

- March 2026

- Fee Validation Services

MEKETA

• Overview of Fee Validation Services

Independent validation of management fees, carried interest, fee offsets, and income allocations

- Designed as an audit of GP-reported financial figures related to fees and expenses.
- Ensures allocations are accurate, equitable, and consistent with governing documents.
- Protects ASRS' economic position as a Limited Partner.

What we look for?

- Detailed mechanics underlying fee and carry calculations
- Timing nuances that affect LP allocations
- Areas where assumptions require General Partner clarification
- Structural complexities across multiple closes

What we see?

- Management fee rebates and adjustments: requires GP follow-up especially when fees change significantly quarter over quarter
- Return of capital: ensuring ASRS is not over-contributing and that allocation is consistent with fund economics
- Capital account rebalancing

Meketa's fee validation is an audit of key terms of the LPA, validating the fees charged and allocation associated with ASRS's investments in Private Equity, Real Estate and Private Debt. Through analytical work, legal document understanding and General Partner collaboration, Meketa audits the fees charged to ASRS to ensure fair capital account economics. Through the Fee Validation service, Meketa receives full clarity on fees and capital account allocations and under specific circumstances reveals incorrect allocations and management fees charged to ASRS.



Overview of Services

We cover the full Private Markets Opportunity Set

Asset Classes	Fund Structures	Carried Interest Structures	Management Fee Basis
<ul style="list-style-type: none"> → Private Equity → Private Debt → Infrastructure → Natural Resources → Real Estate 	<ul style="list-style-type: none"> → Limited Partnerships → Limited Liability Companies → Co-Investments → Separate Accounts → Open-Ended Vehicles 	<ul style="list-style-type: none"> → US waterfalls → European waterfalls → Hybrid waterfalls → Performance/Incentive fees 	<ul style="list-style-type: none"> → Committed capital → Invested capital → Net asset value → Invested capital incl. leverage
<div data-bbox="481 839 828 896" style="background-color: #008080; color: white; padding: 5px;">Offsets and Waivers</div> <ul style="list-style-type: none"> → Fee waivers → Portfolio company fees → Placement fees → Excess organizational expenses 	<p>Fee structures can vary greatly depending on asset class, fund structure, and geographical location. Even within the same asset class, fee structures can vary by specific strategy.</p>		

Fee Validation & Compliance Services

Management Fee Validation	Management Fee Offset Validation	Carried Interest Validation	Expense Allocation Analysis	Investment Valuation Adherence
<ul style="list-style-type: none"> → Review legal documentation and summarize terms. → Recalculate gross management fees as reported by the GP in accordance with fund terms. → Work with GP to resolve any inconsistencies or variances identified. 	<ul style="list-style-type: none"> → Review legal documentation and summarize terms. → Recalculate client's portion of fund level fee offsets and/or their portion shared with affiliated vehicles. → Work with GP to resolve any inconsistencies or variances identified. 	<ul style="list-style-type: none"> → Review legal documentation and summarize terms. → Recalculate preferred return using historical cash flows. → Recalculate carried interest as reported by GP. → Review realized portion to validate realizations per fund terms. → Work with GP to resolve inconsistencies. 	<ul style="list-style-type: none"> → Review legal documentation and expense allocation policy. → Recalculate client's portion of fund level expenses and/or shared expenses. → Work with GP to resolve any inconsistencies or variances identified. 	<ul style="list-style-type: none"> → Review legal documentation and valuation policy. → Review fund level reporting to identify valuation methodologies, focusing on GP-valued investments. → Work with GP to resolve or explain deviations from valuation policy.

Issues Identified

We have identified and resolved a number of inconsistencies/variances related to Funds/Separate Accounts in which our clients have invested.

Examples include:

- Non-GAAP treatment of expenses used in the calculation of carried interest by the Manager.
- Manager calculated carried interest at the fund level, resulting in investor level carried interest variances.
- Carried interest allocation inconsistencies resulting from the accounting for a post-IPO investment.
- Manager did not follow the partnership agreement regarding the incentive distribution percentage to use in calculating the incentive fee earned.
- Manager over-charged gross management fees, resulting in credit due to the investor.

These discoveries have resulted in meaningful and positive change at both the fund and Limited Partner level. Revealing inconsistencies to General Partners sends the message Limited Partners are watching.

MEKETA

Discrepancy Example 1: Linden Capital Partners IV

Linden Capital Partners IV Q4'18 Capital Account

Net investment loss:

Management fee, gross	(1,130,137)
Management fee offsets	280,504

Meketa Investment Group Calculation

	Gross Management Fee	Offset	Net Management Fee
4/01/2018-6/30/2018	\$ (373,972.60)	\$ -	\$ (373,972.60)
12/31/2018	\$ (750,000.00)	\$ 280,503.74	\$ (469,496.26)
	\$ (1,123,972.60)	\$ 280,503.74	\$ (843,468.86)

Summary

- Initially, Linden overcharged management fees by ~\$6k. Meketa discovered this incorrect calculation by reviewing the terms of the LPA.
- Per correspondence with the General Partner, we validated this and by doing so, they issued a refund to ASRS to correct the overcharge.
- This discrepancy was identified and reported on in two ways:
 - First, we sent an email to ASRS to ensure awareness surrounding the discrepancy.
 - Second, we provided a full report in the fund review.

Discrepancy Example 2: Monroe Private Credit Fund A

We reviewed the income allocation to ASRS versus the whole fund allocation.

- ASRS total commitment to the fund versus total fund commitments was 99.96%.
- Upon review of the expenses allocated to ASRS versus the whole fund, Meketa noted two material differences:
 - 1.) **Accounting and Admin Expenses allocated to ASRS versus the total fund was 100.07%**
 - 2.) **Professional Fees allocated to ASRS versus the total fund was 109.06%**
- After correspondence with the General Partner, a revised 9/30/22 ILPA Template was provided which brought these allocations back in line.

Category	Fund Wide (\$)	ASRS (\$)	Allocation Ratio (%)
Net Investment Income	519,548,201	519,218,078	99.94%
Net Gain/(Loss)	(50,822,171)	(50,765,660)	99.89%
Net Increase/(Decrease) in Capital	468,726,030	468,452,418	99.94%

Disclaimer

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

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March 26, 2026

Agenda Item

7

Presentation, Discussion, and Appropriate Action Regarding
Securities Lending Program





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Securities Lending Program Overview

- **Cole Smith, Public Equity Senior Portfolio Manager**
- **Michael McDermott, Director, Securities Finance, BNY/Mellon**

Securities Lending Overview

- What is Securities Lending?
 - Securities Lending is a system that matches institutions that hold in-demand securities with other market participants that want to borrow those securities. These securities are publicly-traded and include both stocks and bonds.
 - Demand: Investors desire to borrow securities for various reasons: short selling, market making, trade settlement, corporate actions, etc.
 - Supply: Institutions, such as ASRS, hold large inventories of these securities. By lending them out, institutions can utilize these assets to generate income.
- The ASRS participates in Securities Lending for our publicly traded securities (i.e., Public Equities and Interest Rate Sensitive asset classes)
 - Separately-managed-accounts (SMAs) account for 90% of our publicly-traded securities, with commingled funds the remaining 10%
 - For all SMAs, both internal and externally-managed, we engage with Bank of New York (BNY) as our agent lender.
 - ASRS receives 90% of securities lending revenue; BNY receives 10%
 - Lending of securities in our commingled funds is administered by the external managers, with ASRS receiving custom revenue splits, as negotiated.
 - The income generated from securities lending within the commingled funds is automatically reinvested, thus enhancing returns

Securities Lending Overview

- When lending securities from our portfolios, we accept either securities or cash as collateral
 - As of year-end 2025, **93% of securities on loan were collateralized by securities**
 - For these non-cash loans, certain types of securities are acceptable as collateral: Government and agency bonds, corporate bonds, common stock (single or baskets), ETFs, etc.
 - At loan initiation, excess collateralization is required:
 - 102% for U.S. securities and 105% for non-U.S. securities
 - When receiving equity collateral, require initial margin between 107% and 110%
 - **7% of securities on loan were collateralized by Cash**
 - The cash collateral we receive is reinvested per our Cash Reinvestment Guidelines
 - Eligible investments in our cash reinvestment program include:
 - US Treasury debt instruments
 - US Agency debt instruments
 - Repurchase agreements
 - Corporate obligations (short-term bonds, commercial paper, etc.)
 - Bank obligations (CDs, time deposits, etc.)

Securities Lending Utilization and Revenue

- Highlights from our lending program administered by BNY:
 - Utilization:
 - As of year-end 2025, **13.8% of securities were on loan across all SMAs (total on-loan value of \$3.98 Billion)**
 - 9.3% of Public Equity securities were on loan as of year-end 2025 (on-loan value of \$2.4B)
 - Internally-managed portfolios had utilization rate of 10.9%, with on-loan value of \$2.0B
 - Externally-managed portfolios had utilization rate of 5.4%, with on-loan value of \$396MM
 - 52.4% of Interest Rate Sensitive securities were on loan as of year-end 2025 (on-loan value of \$1.6B)
 - Earnings:
 - **Total earnings for the securities lending program in 2025 was \$7.6 Million:**
 - Public Equities earned \$5.3 Million
 - Interest Rate Sensitive securities earned \$2.4 Million

- The Global Financial Crisis (GFC) was a seismic event for the securities lending ecosystem
 - While the actual mechanism of lending securities did not fail, the cash collateral reinvestment programs did suffer:
 - Leading up to 2008, many cash reinvestment pools were heavily invested in Asset-Backed Commercial Paper (ABCP) and Mortgage-Backed Securities (MBS) – debt tied to the subprime housing market.
 - When the housing market began to crash, the value of those assets plummeted. Borrowers started closing loans and thus demanded cash collateral back; however, the assets were marked down considerably and often too illiquid to redeem back into cash.
 - As a result, lenders were forced to sell assets at severe losses just to pay back the borrowers.
 - Notable events impacting securities lending:
 - AIG's insurance subsidiaries has a large program, as they took in billions in cash collateral and reinvested into higher-yielding long-term MBSs. The Federal Reserve created a specific bailout facility just to rescue AIG's securities lending program.
 - Lehman was a massive player on both sides of the market, being both a huge borrower of securities and a large issuer of short-term corporate debt. When Lehman declared bankruptcy, they were unable to return the securities they borrowed. Further, any cash collateral pool that invested in Lehman paper was wiped out.
 - Short-selling bans initiated in late 2008 reduced demand for borrowing securities. As a result, industry revenues cratered.

- Due to the difficulties experienced during the GFC, numerous changes were made within the Securities Lending industry:
 - Investment guidelines were modified and made more conservative across the industry.
 - The reinvestment pools reduced duration mismatch, introducing stricter safety and liquidity standards.
 - After the crisis, there was a major shift to non-cash collateral. Prior to 2008, cash was king, but lenders now cautioned against the reinvestment risk and started accepting government debt and other securities as collateral.
 - Before 2008, if a borrower defaulted and the collateral wasn't enough to cover the loss, the lending institution ate the loss. After the crisis, indemnification clauses started to appear within program guidelines whereby institutions demanded that agent lenders provide strict guarantees to cover those shortfalls.
 - Regulators started demanding daily data on transactions, as well as detailed information on assets within collateral pools. Further, periodic stress tests are now a requirement to ensure agent lenders can survive Lehman-like events.

- BNY, our agent lender, has also made several enhancements to their Securities Lending program:
 - Moved to all separately managed accounts, giving clients greater flexibility in customizing their cash collateral guidelines.
 - Enhanced the credit process by moving from an independent credit team of six professionals to sharing a credit utility with Dreyfus, thereby enhancing resources and capabilities.
 - Added an additional top-down risk overlay called Enterprise Market Risk (ERM).
 - The credit utility conducts fundamental bottom-up credit analysis and underwriting, and the ERM team is doing a top-down review, looking at various overall exposures to sectors, sovereign areas, issuers, etc., to ensure those exposures are right-sized and appropriate.
 - Migrated to a more sophisticated trading and compliance system for cash collateral reinvestment.
 - For greater transparency, BNY moved from monthly to daily reporting for cash collateral reinvestment holdings, which includes striking a daily NAV.
 - Now offers stress test reporting on the cash collateral accounts, which can show the impact to the cash collateral account NAV assuming changes in cash flows, interest rates, and credit spreads.

March 26, 2026

Agenda Item

8

Presentation, Discussion, and Appropriate Action
Regarding Private Market Benchmarks, Including Asset
Class Performance Benchmarks and Opportunity Cost
Benchmarks.





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Private Market Benchmarks, Asset Class Performance Benchmarks, and Opportunity Cost Benchmarks

Michael Viteri, CIO

Samer Ghaddar, Deputy CIO

Evan Smith, Senior Performance Measurement Analyst



ASRS Private Equity Benchmark Evolution

ASRS Private Equity Asset Class & Benchmark Evolution

- From the inception of the Private Equity portfolio on January 1, 2007, the ASRS Strategic Asset Allocation Policy (SAAP) set a 5% target allocation to Private Equity, measured against the Russell 2000 Index with a one-quarter lag.
- Beginning November 1, 2009, the ASRS SAAP increased the Private Equity target allocation to 7%, maintaining the Russell 2000 Index with a one-quarter lag as the benchmark.
- Beginning April 1, 2015, the ASRS SAAP increased the Private Equity target allocation to 8%, maintaining the Russell 2000 Index with a one-quarter lag as the benchmark.
- Beginning July 1, 2018, the ASRS SAAP increased the Private Equity target allocation to 10% and changed the benchmark to the MSCI ACWI IMI Net with USA Gross, one-quarter lag. At the same time, Private Equity performance was consolidated into the Total Equity allocation and no longer reported separately. This change reflected the strategic intent to evaluate Private Equity relative to Public Equity—that is, to assess whether allocating to Private Equity instead of Public Equity represented a sound **opportunity-cost** decision.
- Beginning October 1, 2022, the ASRS SAAP maintained its Private Equity target allocation of 10% and its private equity benchmark of the MSCI ACWI IMI Net with USA Gross, one-quarter lag, however Private Equity was separated from the Total Equity composite and once again measured on a stand-alone basis.
- Starting June 30, 2024, at the request of an ASRS Trustee, the ASRS Board Consultant began providing the Internal Rate of Return (IRR) a secondary benchmark (MSCI Private Equity North America & Western Europe) for the Private Equity portfolio as part of the Private Markets performance reporting. It should be noted that the time weighted returns for the ASRS portfolio continued to be measured against the MSCI ACWI IMI Net with USA Gross, one-quarter lag benchmark.
- Beginning July 1, 2025, the ASRS SAAP increased the Private Equity target allocation to 13% and adopted a private-market-based benchmark: the MSCI Private Equity North America and Western Europe Index.

ASRS Private Equity Benchmark Selection

Benchmark Selection- Qualities of a Good Benchmark

To distinguish investment skill from market fluctuations, plan sponsors need to employ appropriate benchmarks at the strategy, asset class and total fund level.

An effective benchmark serves as a passive investment reference point against which active management decisions can be measured. Bailey, Richards, and Tierney introduced these principles in their 1996 paper "Evaluating Portfolio Performance," establishing what has become industry standard criteria for benchmark selection. According to this framework a sound benchmark must be:

- Appropriate – Aligned with the manager's investment style and approach
- Measurable – Calculable at reasonable, regular intervals
- Unambiguous – Composed of clearly defined components with transparent weightings
- Reflective of current investment views – Incorporating the manager's latest perspectives on asset categorization (value, growth, core, value-added, opportunistic)
- Investable – Capable of being directly owned as an investment

While the above criteria works well with public market asset class, private market investments present unique benchmarking challenges that complicate the application of the above principles

ASRS Private Equity Benchmark Selection

Benchmark Selection – Qualities of a Good Benchmark

Private Market investments differ from public market investments in various way:

- Valuation Timing Issues: Delayed valuation reporting creates asynchronous performance measurement compared to public market benchmarks.
- Quarter lagged Public Market benchmark limitations: While quarter lagged public market benchmarks provide useful comparison points, they don't fully capture the risk-return characteristics of private investments.

The relatively recent emergence of more sophisticated and representative peer universes (such as the MSCI Private Equity North America & Western Europe) designed for private markets offered several advantages over the common Public Market Equivalent (PME) approach.

- Direct peer comparison against similar investment strategies
- More accurate representation of the timing and structural characteristics inherent to private market investments
- Quarter-lag reporting that aligns with the valuation cycle of underlying investments
- Comprehensive coverage of the geographic regions matching our investment footprint

Private Equity Opportunity Cost & PME+ Analysis

- During the period from July 1, 2018 to September 30, 2022, the Private Equity composite was included within ASRS Total Equity performance. This approach reflected the strategic intent to evaluate Private Equity in the context of Public Equity and to assess whether allocating capital to Private Equity—rather than to public markets—provided a favorable opportunity-cost outcome. Effective October 1, 2022, the ASRS SAAP revised this methodology by separating the Private Equity asset class from the Total Equity composite and evaluating its performance on a stand-alone basis.
- **Risk Premium:** The primary sources of return in private equity stem from higher average leverage, active GP engagement and control that drive operational improvements in portfolio companies, a reduced emphasis on short-term performance relative to public markets, and the illiquidity associated with long lock-up periods. Committing capital over a 5- to 10-year horizon warrants a meaningful illiquidity premium. ASRS has maintained a consistent commitment to private equity since late 2006. This disciplined allocation has delivered strong long-term results. Despite periods of market volatility and inflationary pressures, the portfolio has demonstrated resilient growth and has consistently outperformed global public equities, as measured by the MSCI ACWI (All Country World Index).
- **Public Market Equivalent (PME) Analysis (referred to academically as PME+):** To properly evaluate performance, we use PME+, which models the actual cash flows of the ASRS private equity portfolio—capital paid in and distributions received—as if they had been invested in the MSCI ACWI Index. This allows for a like-for-like comparison to determine whether private equity has truly generated excess returns over public markets. As shown in the table (Private Equity since Inception PME vs MSCI ACWI), ASRS's private equity portfolio has outperformed public equity by an average of approximately 200 basis points annually over the long term.
- **Value Beyond Public Markets:** Private equity provides tools unavailable in public markets, including direct governance, hands-on operational improvements, strategic repositioning, and carefully planned exits. These elements create value in ways not captured by market indices. Additionally, during periods of market volatility, private equity valuations tend to adjust more gradually, helping to cushion the impact of market swings.



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Private Equity since Inception PME vs MSCI ACWI

Performance to date (IRR) versus Benchmarks¹

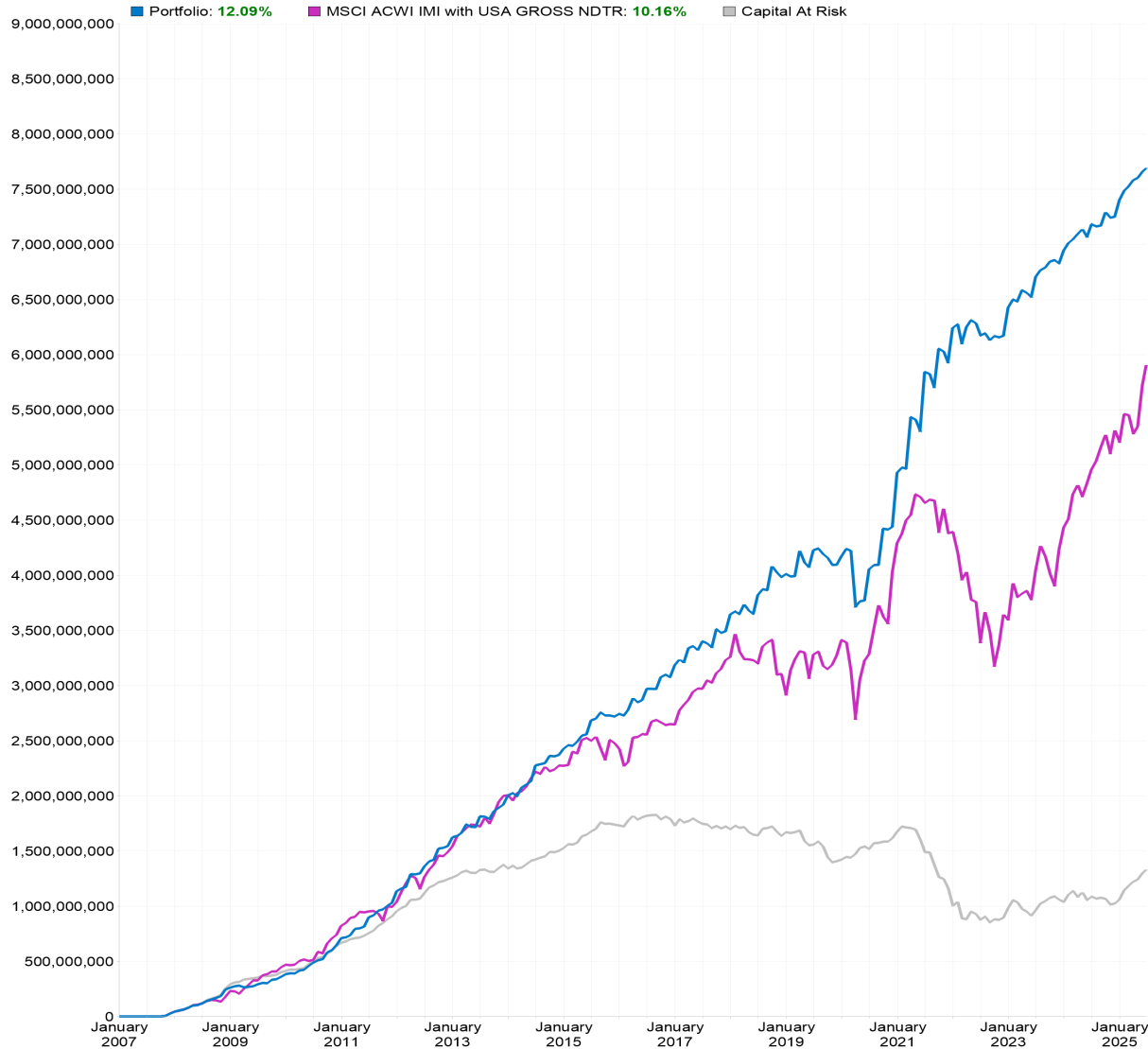
Period	3 months *	6 months *	9 months *	1 Yr	2 yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs	15 Yrs	Since inception
Portfolio	0.89%	1.93%	4.13%	7.49%	6.31%	6.58%	15.90%	12.38%	12.43%	12.96%	12.35%
R2K - ACWI Blend	2.77%	4.80%	6.46%	16.03%	17.33%	16.98%	14.30%	10.98%	10.26%	11.80%	11.56%
MSCI ACWI IMI with USA GROSS NDTR	2.77%	4.80%	6.46%	16.03%	17.33%	16.98%	14.30%	10.98%	10.36%	10.66%	10.34%

- : not annualized
- 1- All IRR and PME calculations presented in this report were produced using eFront Aladdin. Results may differ from those generated by other systems due to differences in methodologies, data treatment, or calculation conventions.



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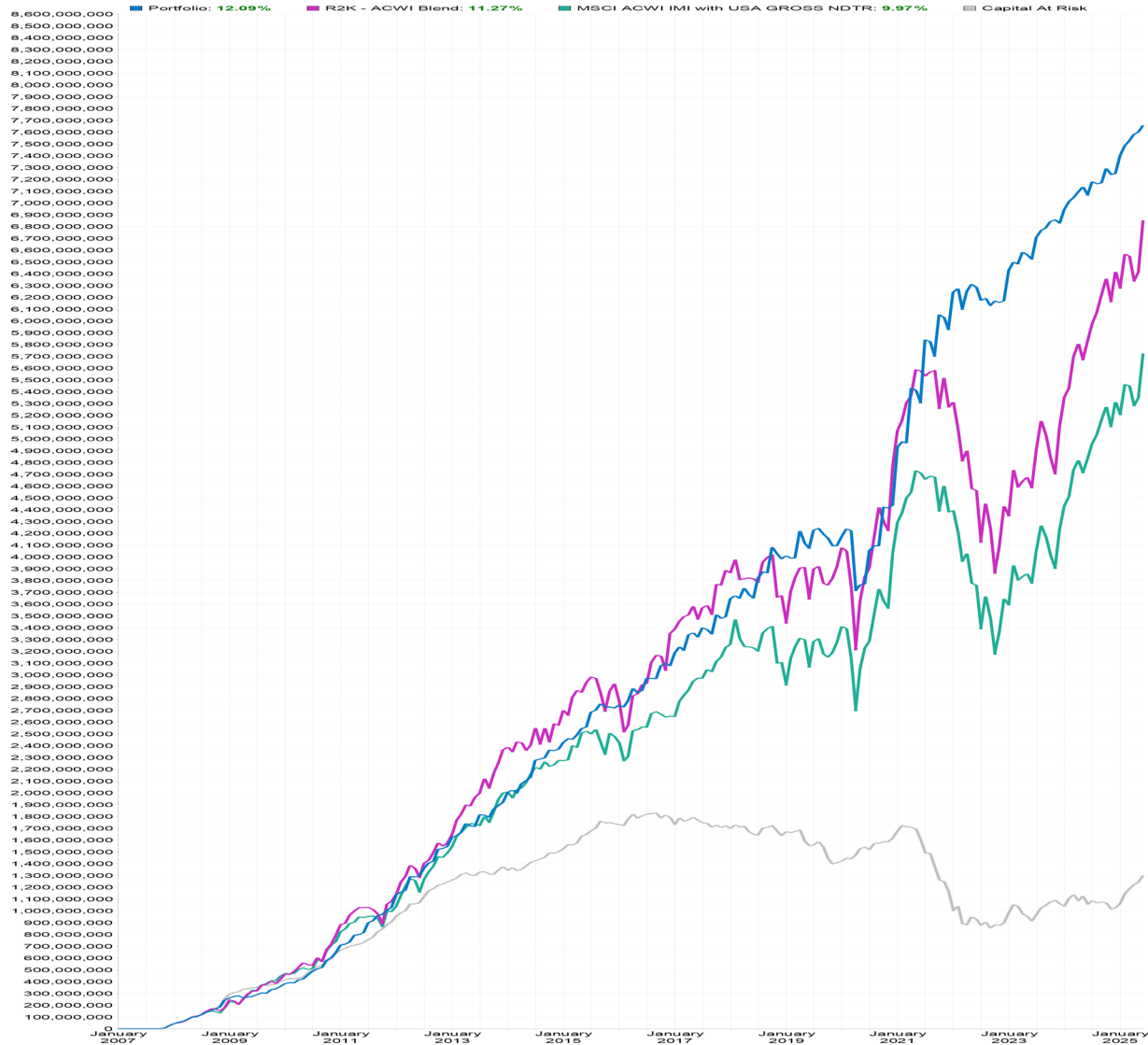
Private Equity since Inception PME vs MSCI ACWI





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Private Equity since Inception PME vs blended MSCI ACWI plus Russell



Appendix

Money Weighted Returns versus Time Weighted Returns

Money Weighted Returns versus Time Weighted Returns

Pension plans, such as the ASRS, use both Money-Weighted and Time-Weighted returns because each answers a different question about performance. Both are needed for a complete performance picture.

Money Weighted Returns

Money-Weighted Returns, also called Dollar-Weighted Return, Cash-Weighted Returns or Internal Rate of Returns (IRR), measure the Private Market's General Partners' (GP) actual cash flows, taking into account how much money was deployed and its timing. IRR calculations are standard for Private Equity, Real Estate, Private Credit, and other alternative assets where the GP controls the timing of cash flow (capital calls/contributions and distributions). This measures the GP performance as a function of when they call capital, how much capital they call, when they distribute cash flows to Limited Partners (LP) such as the ASRS, and the amount of capital distributed.

This methodology treats all contributions and withdrawals as cash flows and solves for the single rate of return.

Time Weighted Returns

Time Weighted Returns (TWR) is a performance measure that removes the impact of external cash flows by breaking the total evaluation period into sub-periods, calculating the return for each period, and then chaining (geometrically linking) those sub-period returns. measures how well the underlying assets performed, independent of cash flows.

March 26, 2026

Agenda Item

9

Presentation, Discussion, and Appropriate Action Regarding a Draft Revision of the Investment Compensation Program Plan.



MEMORANDUM

TO: Mr. Jay Petkunas, Chairperson, Arizona State Retirement System (ASRS) Investment Committee (IC)

FROM: Mr. Paul Matson, Executive Director

DATE: March 20, 2026

RE: Draft Revision of the Investment Compensation Program Plan

Background

Arizona state statute 38-611.01 provides that the Arizona State Retirement System may administer an incentive compensation plan for investment personnel as follows:

“...May administer an incentive compensation plan for investment-related personnel established in consultation with the director of the department of administration. The Arizona state retirement system shall file a copy of any incentive compensation plan for investment-related personnel with the governor, the president of the senate, the speaker of the house of representatives, the office of strategic planning and budgeting, the joint legislative budget committee, and the department of administration within ten business days of its adoption or readoption.”

As such, ASRS staff would consult with the Director of the Arizona Department of Administration prior to adopting any version of the draft modifications to the plan as outlined below.

The ASRS Board of Trustees first approved the Incentive Compensation Plan (ICP) for Internal Investment Professionals on November 22, 2013. Since that time, continued competition in the investment talent marketplace, greater sophistication in investment management strategies, and a strong desire to retain current staff have resulted in a review of the current ICP by the Chief Investment Officer and Executive Director.

ASRS investment professionals research and execute complex investment strategies that support the fiduciary responsibilities of the agency by investing fund assets to maximize risk-adjusted returns in order to reduce long-term average contribution rates, while meeting the system’s long-term retirement liabilities. The ICP is intended to reinforce these responsibilities by aligning and strengthening investment management results with compensation using a transparent methodology. Performance-based compensation is standard in private-sector investment firms and common in many leading public-sector funds.

The revised draft ICP reflects a strategic commitment to ensuring that compensation acknowledges labor-market realities and strengthens a high-performance culture by placing a meaningful portion of total compensation at risk. This “pay-at-risk” structure emphasizes achieving outcomes, as opposed to efforts, directly aligned with the ASRS strategic plan, goals, and objectives, including:

- 1) Maximizing total fund net returns within acceptable levels of risk.
- 2) Achieving total fund net returns in the top 25th percentile or better relative to peers.
- 3) Exceeding the Strategic Asset Allocation Policy benchmark.
- 4) Achieving total fund net returns above the actuarial assumed interest rate.
- 5) Delivering asset-class net returns that exceed their respective benchmarks.

To support these objectives, the ICP is designed to help ASRS:

- 1) **Retain** high-caliber investment professionals by providing competitive, performance-based compensation.
- 2) **Attract** high-caliber investment professionals through a market-aligned total compensation structure.
- 3) **Incentivize** strong investment performance by aligning compensation with investment results and strategic objectives.

Discussion

Shortly after the Board's adoption of the ASRS's adoption of a new Strategic Asset Allocation Policy on May 22, 2025, which introduced modest changes to some asset class benchmarks necessitating an update to the ICP, staff engaged NEPC to review the overall ICP with respect to calculation methodology and incentive compensation structure. It should be noted that NEPC independently performs all the ICP calculations based upon quantitative measures (internal portfolio performance, asset class performance, total fund performance). The qualitative measures are provided by ASRS investment management staff.

Observations and suggestions made by NEPC were:

- 1) Overall, the ICP structure is in line with peers.
- 2) Continue to combine quantitative and qualitative measures.
- 3) Consider a higher weight to total fund versus asset class.
- 4) Consider weighing three-year results higher than one-year results.
- 5) Consider different time horizon(s) for private markets.
- 6) Consider hiring a compensation consultant to understand public fund compensation trends based on position.

Staff agreed with several of the suggestions provided by NEPC and have incorporated elements of that guidance into the updated ICP.

Compensation Consultant Analysis

With respect to NEPC's recommendation on hiring a compensation consultant, ASRS Human Resources department retained and received the AON/McLagan 2025 Public Fund Compensation Study which was prepared for the Arizona State Retirement System. The total study encompasses data from 62 U.S. public pension plans ranging in AUM from \$3.3 billion to \$527.7 billion, and compares ASRS IMD staff base salary and "at-risk" incentive compensation to a smaller subset of U.S. pension plans within the study that utilize incentive compensation plans (47 U.S. public pension plans).

The high-level summary table (Table 1) provided by Aon/McLagan compares maximum incentive opportunities based on Assets Under Management (AUM), distinguishing between funds with AUM below \$60 billion and those above \$60 billion.

Table 1

	Maximum Incentive Opportunities (as a % of Base Salary)							
	Funds with AUM < \$60B				Funds with AUM > \$60B			
	25th	50th	75th	Avg	25th	50th	75th	Avg
Investments								
Chief Investment Officer	45%	50%	86%	58%	41%	75%	133%	90%
Senior Investment Staff (F5 - F7)	35%	65%	80%	79%	38%	80%	135%	93%
Intermediate/Junior Investment Staff (F1 - F4)	25%	30%	65%	46%	20%	50%	65%	55%
Non-Investments								
Senior Investment Operations Staff (F5 - F7)	50%	50%	50%	50%	12%	50%	75%	49%
Intermediate/Junior Investment Operations Staff (F1 - F4)	13%	17%	24%	21%	13%	20%	40%	29%



For funds with less than \$60 billion in AUM, the 50th percentile maximum incentive opportunity is 50%, 65%, and 30%, depending on the job description. For funds with more than \$60 billion in AUM, the 50th percentile maximum incentive opportunity increases to 75%, 80%, and 50%, respectively, depending on job description.

Incentive Compensation Proposal Structure

The attached revised draft IPC is proposing a maximum Incentive Compensation opportunity of 60% across all investment staff.

Rationale for Possible Adoption of the Proposed ICP Structure

The ASRS Investment Management Division is a top-performing group, routinely outperforming its pension plan peers over medium and longer periods of time:

- 1) ASRS has generated solid net of fees returns relative to NEPC's Public Fund universe (InvMetrics Public Funds > \$1 billion, which has approximately 90 representative public pension plan peers) over medium and longer periods of time. Although shorter time frames (1-year, 3-year) have faced headwinds, medium and longer-term (5-year, 10-year, 20-year) peer-ranked performance has been close to or better than the top 10th percentile.
- 2) ASRS has consistently achieved the actuarial assumed rate over all trailing time periods (1-, 3-, 5- 10-, 20-, and since Inception).
- 3) ASRS has achieved risk-adjusted returns (standard deviation of returns, Sharpe Ratio, Sortino Ratio) in the top decile or quartile over virtually all trailing time periods (1-, 3-, 5-, 10-, and 20-years).
- 4) ASRS demonstrates exceptional staffing efficiency (AUM per investment professional), ranking among the highest in the U.S. public pension peer universe (see Appendix A). In a recent survey of 56 participating US Pension plans (period ending June 30, 2025), ASRS ranked 5th, with approximately \$5 billion in assets under management per investment staff member. Notably, the four plans with higher ratios manage no assets internally. This underscores a long-standing **ASRS Investment Belief** that internal investment professionals are a foundation of a successful large investment program. Taking into consideration only public pension plan peers that managed assets internally, ASRS has the highest AUM per investment staff ranking.
- 5) The revised draft ICP structure is designed to further strengthen retention and attraction, align economic interests, increase focus on the performance of the total fund, reinforce employees' commitment to the long-term performance of ASRS investment fund, and support a strong performance-based culture.



Summary

In addition to minor grammatical changes, stylistic changes to improve readability, and additional structure to improve clarity, the following are highlights of the most relevant changes to the revised draft ICP:

- **Maximum incentive compensation range increased from 30% to 60%.**
{Rationale 1: Aligns with US Pension Plan Incentive Compensation Plan Peer Universe practices provided by Consultant AON/McLagan}
- **Increased Performance Category Weightings to Total Fund Performance and Qualitative Performance from 25% to 30% each.**
{Rationale: Enhances alignment of interests by prioritizing total-fund outcomes over asset-class-specific and portfolio-specific results}
- **Changed portfolio performance measurement evaluation periods for all asset classes to 1-year and 5-year time periods.**
{Rationale: Previously, incentive compensation performance measurement periods differed across asset classes—public market asset classes used 1-year and 3-year time-weighted returns, while private market asset classes relied on various longer-term dollar-weighted (IRR) periods. Adopting 1-year and 5-year time-weighted returns for all asset classes creates a consistent framework for evaluating performance both across and within asset classes}
- **Changed performance measurement calculations for private markets (Private Equity, Credit, and Real Estate) from long-term dollar-weighted (IRR) calculations to time-weighted return calculations.**
{Rationale: Improves consistency of reported returns and better aligns performance evaluation as private market investments have matured. IRR is most relevant in the early and middle stages of private market investments, where cash flow timing, capital deployment, and manager execution drive outcomes. However, as portfolios mature and cash flows stabilize, IRR becomes less informative and can be distorted by legacy investments, residual values, and the timing of distributions. In contrast, time-weighted returns provide a more consistent and comparable measure of underlying asset performance by neutralizing the impact of external cash flows}
- **Reduced the Public Equity net excess return target from 25 basis points to 20 basis points and changed the performance measurement evaluation periods to 1-year and 5-year historical time-weighted net returns (from 1-year and 3-year), with each period weighed equally.**
{Rationale: The modest reduction in the net excess return target reflects increased efficiency and competition in index implementation, the exclusion of actively managed internal and external strategies, as well as lower expected contributions from securities lending revenue}
- **Reduced the Private Equity net excess return target from 300 basis points over an absolute return of 8% measured over a 10-year trailing IRR (old incentive comp benchmark), to 50 basis point excess return measured against the MSCI Private Equity North America & Western Europe benchmark (new incentive comp benchmark) over a 1-year and 5-year time weighted return (with each period weighed equally).**
{Rationale: Per the board approved SAAP of May 25, 2025, the Private Equity benchmark was changed from a public market equivalent benchmark (MSCI ACWI Net, 1-quarter lag) to a peer-based benchmark (MSCI Private Equity U.S. & Western Europe). For incentive compensation purposes, the shift from a long term IRR-based methodology to a time-weighted return framework, measured against a peer-based benchmark, supports a lower excess return objective due to various structural reasons; 1) Peer-based benchmarks have selection and survivorship bias as the data sets skew towards funds that successfully raised capital, have credible track records, and actually report performance; 2) Access to top-tier funds—an important driver of higher returns—is not fully captured in benchmark comparisons, as these funds are



often oversubscribed, limiting investor participation and potentially resulting in allocations to less competitive managers. In essence, peer-based benchmarks reflect a curated, upward-biased universe of already successful investors, making excess returns more difficult to achieve}

- **Reduced Credit excess return target from 250 basis points (excess return implicit in the benchmark “plus 250 bps”) over a 7-year trailing IRR relative to the S&P/LSTA Levered Loan Index plus 250 basis points (old incentive comp benchmark), to a 50 basis point excess return measured against the MSCI Private Credit U.S. & Western Europe benchmark (new incentive comp benchmark) over a 1-year and 5-year time weighted return (with each period weighed equally).**
{Rationale: Per the board approved SAAP of May 25, 2025, the Credit benchmark was changed from a public market equivalent benchmark (S&P/LSTA levered Loan Index plus 250 basis points) to a peer-based benchmark (MSCI Private Credit U.S. & Western Europe). For incentive compensation purposes, the shift from a long term IRR-based methodology to a time-weighted return framework measured against a peer-based benchmark supports a lower excess return objective due to various structural reasons; 1) Peer-based benchmarks have selection and survivorship bias as the data sets skew towards funds that successfully raised capital, have credible track records, and actually report performance; 2) Access to top-tier funds—an important driver of higher returns—is not fully captured in benchmark comparisons, as these funds are often oversubscribed, limiting investor participation and potentially resulting in allocations to less competitive managers. In essence, peer-based benchmarks reflect a curated, upward-biased universe of already successful investors, making excess returns difficult to achieve}
- **Reduced Real Estate Excess Return target from 100 basis points over an absolute return of 7% over a 10-year trailing IRR (old incentive comp benchmark), to 50 basis points of excess return measured against the NCREIF ODCE Net 1 Qtr lag (new incentive comp benchmark) over a 1-year and 5-year historical time-weighted returns (with each period weighed equally).**
{Rationale: For incentive compensation purposes, the shift from a long term IRR-based methodology to a time-weighted return framework measured against a peer-based benchmark supports a lower excess return objective due to various structural reasons; 1) Peer-based benchmarks have selection and survivorship bias as the data sets skew towards funds that successfully raised capital, have credible track records, and actually report performance; 2) Access to top-tier funds—an important driver of higher returns—is not fully captured in benchmark comparisons, as these funds are often oversubscribed, limiting investor participation and potentially resulting in allocations to less competitive managers. In essence, peer-based benchmarks reflect a curated, upward-biased universe of already successful investors, making excess returns more difficult to achieve}
- **Decreased Interest Rate Sensitive Excess Return Target from 25 basis points to 10 basis points and changed the performance measurement evaluation periods to 1-year and 5-year historical time-weighted net returns (from 1-year and 3-year), with each period weighed equally.**
{Rationale: The mandate changed from Bloomberg Aggregate strategy which includes corporate bonds, agency mortgage-backed securities, asset-backed securities, non-Treasury agency debt and U.S. Treasuries to the Bloomberg US Treasury strategy in late 2022 and was implemented after the July 2022 ICP revision. The broader universe of securities in the Bloomberg Aggregate offered a broader opportunity-set to achieve excess returns through relative value analysis, security selection, active positioning, credit selection and sector rotation. The US Bloomberg Treasury Strategy excess return potential is limited to yield curve positioning (duration and convexity) and term structure trades and therefore has lower excess returns expectations}
- **Decreased Total Fund Excess Return Expectations from 40 basis points to 35 basis points.**
{Rationale: The benchmark changes and reduction in net excess return expectations for all asset classes outlined above supports a downward revision of the Total Fund Excess Return target}



Appendix A
(Data as of June 30, 2025)

US Pension Plan	AUM (Billions)	Staffing	AUM/Staff (Billions)	Internal Asset Mgt
Fund 1	\$ 70.3	2	\$ 35.1	No
Fund 2	\$ 25.1	4	\$ 6.3	No
Fund 3	\$ 26.0	5	\$ 5.2	No
Fund 4	\$ 46.7	9	\$ 5.2	No
Arizona State Retirement System	\$ 59.9	12	\$ 5.0	Yes
Fund 6	\$ 58.3	16	\$ 3.6	Yes
Fund 7	\$ 134.1	37	\$ 3.6	Yes
Fund 8	\$ 28.5	9	\$ 3.2	Yes
Fund 9	\$ 25.0	9	\$ 2.8	No
Fund 10	\$ 24.7	9	\$ 2.7	No
Fund 11	\$ 29.3	11	\$ 2.7	No
Fund 12	\$ 50.3	19	\$ 2.6	Yes
Fund 13	\$ 139.5	55	\$ 2.5	Yes
Fund 14	\$ 19.8	8	\$ 2.5	No
Fund 15	\$ 21.1	9	\$ 2.3	No
Fund 16	\$ 16.4	7	\$ 2.3	Yes
Fund 17	\$ 101.2	45	\$ 2.2	Yes
Fund 18	\$ 13.3	6	\$ 2.2	No
Fund 19	\$ 45.4	21	\$ 2.2	No
Fund 20	\$ 62.8	30	\$ 2.1	No
Fund 21	\$ 28.7	14	\$ 2.0	No
Fund 22	\$ 25.2	13	\$ 1.9	Yes
Fund 23	\$ 73.6	38	\$ 1.9	Yes
Fund 24	\$ 77.2	40	\$ 1.9	No
Fund 25	\$ 211.5	116	\$ 1.8	Yes
Fund 26	\$ 153.6	86	\$ 1.8	Yes
Fund 27	\$ 76.7	43	\$ 1.8	Yes
Fund 28	\$ 46.3	26	\$ 1.8	No
Fund 29	\$ 98.4	56	\$ 1.8	Yes
Fund 30	\$ 115.6	75	\$ 1.5	Yes
Fund 31	\$ 12.1	8	\$ 1.5	No
Fund 32	\$ 18.5	13	\$ 1.4	Yes
Fund 33	\$ 81.2	58	\$ 1.4	Yes
Fund 34	\$ 179.3	129	\$ 1.4	Yes
Fund 35	\$ 15.3	11	\$ 1.4	Yes
Fund 36	\$ 122.8	89	\$ 1.4	Yes
Fund 37	\$ 70.0	52	\$ 1.3	Yes
Fund 38	\$ 18.7	14	\$ 1.3	No
Fund 39	\$ 50.3	38	\$ 1.3	Yes
Fund 40	\$ 109.5	86	\$ 1.3	Yes
Fund 41	\$ 11.3	9	\$ 1.3	Yes
Fund 42	\$ 367.7	303	\$ 1.2	Yes
Fund 43	\$ 28.1	24	\$ 1.2	Yes
Fund 44	\$ 24.2	21	\$ 1.2	Yes
Fund 45	\$ 20.6	19	\$ 1.1	Yes
Fund 46	\$ 11.9	12	\$ 1.0	No
Fund 47	\$ 50.0	54	\$ 0.9	Yes
Fund 48	\$ 100.6	116	\$ 0.9	Yes
Fund 49	\$ 22.7	28	\$ 0.8	No
Fund 50	\$ 7.7	12	\$ 0.6	Yes
Fund 51	\$ 15.9	25	\$ 0.6	Yes
Fund 52	\$ 9.5	16	\$ 0.6	Yes
Fund 53	\$ 4.1	7	\$ 0.6	Yes
Fund 54	\$ 171.2	298	\$ 0.6	Yes
Fund 55	\$ 42.0	75	\$ 0.6	Yes
Fund 56	\$ 15.3	35	\$ 0.4	Yes



INCENTIVE COMPENSATION PLAN For Internal Investment Professionals



Arizona State Retirement System

Amended March 2026

Arizona State Retirement System Incentive Compensation Plan for Internal Investment Professionals

Contents

Authority	2
Purpose and Objectives	2
Eligibility for Participation	3
Participant Eligibility for Other Approved Compensation Strategies.....	3
Performance Period	3
Maximum Incentive Compensation Opportunity.....	4
Performance Categories and Performance Calculations	4
Applicability of Performance Categories	4
1. Internal Portfolio Performance	5
2. Asset Class Performance.....	55
3. Real Estate.....	
4. Credit Performance.....	5
5. Interest Rate Sensitive.....	5
6. Private Equity	5
7. Other	5
8. Total Fund Performance	6
9. Qualitative Performance.....	6
Incentive Compensation Distribution.....	6
Payment Date	6
Treatment of Payments	6
Employment Status.....	7
Administration.....	7
Power to Amend	7
Effective Date	7
Record Keeping and Reporting	7
Performance Category Weightings and Net Excess Return Targets	8
APPENDIX A: Responsibility Matrices	10
APPENDIX B: Performance Benchmarks	12
APPENDIX C: Example.....	14

Arizona State Retirement System Incentive Compensation Plan for Internal Investment Professionals

Authority

A.R.S. § 38-611.01 provides that the ASRS, in consultation with the Director of the Arizona Department of Administration (ADOA), may establish and administer an incentive compensation plan (hereafter the “ICP”) for investment-related personnel. This document describes the ICP and specifies the methods and procedures related to the administration of the ICP.

Nothing in this document is intended to alter the nature of ASRS employment or to create or be construed as creating an expressed or implied contract of employment or to define conditions of employment. This document does not provide a contract, guarantee of payment, guarantee of participation in the incentive plan in subsequent years, or guarantee of employment with the ASRS. The ICP and the payments that result from the ICP are public information and will be disclosed upon request.

In addition, upon consultation with the Director of ADOA, the ASRS reserves the right to alter, amend, modify, rescind, or otherwise change the content of the ICP at any time for any reason as permitted by law, in its sole discretion, and without advance notice to any employee affected by the provisions of the ICP.

Purpose and Objectives

The purpose of the Incentive Compensation Plan (ICP) is to strengthen the investment management and performance of the ASRS Trust Fund. Providing performance-based pay tied to specific, transparent criteria is standard practice across both private-sector investment firms and leading public-sector funds. By offering a competitive base salary supplemented by performance-based compensation, ASRS enhances its ability to fulfill its mission and vision.

The ICP reflects a strategic decision that compensation must both recognize labor-market realities and reinforce high performance by placing a meaningful portion of total compensation at risk. This “pay-at-risk” structure emphasizes achieving outcomes directly aligned with the ASRS strategic plan, goals, and objectives, including:

- 1) Maximizing total fund net returns within acceptable levels of risk.
- 2) Achieving total fund net returns in the top 25th percentile or better relative to peers.
- 3) Exceeding the Strategic Asset Allocation Policy benchmark.
- 4) Achieving total fund net returns above the actuarial assumed interest rate.
- 5) Delivering asset-class net returns that exceed their respective benchmarks.

To support this purpose, the ICP is designed to help ASRS:

- 1) Retain high-caliber investment professionals by providing competitive, performance-based compensation.
- 2) Attract high-caliber investment professionals through a market-aligned total compensation structure.

- 3) Incentivize strong investment performance by aligning compensation with investment results and strategic objectives.

Eligibility for Participation

To be eligible to participate (a “Participant”) in the ICP, an ASRS employee must be in a position that:

- Is allocated to Investment Management as determined by the ASRS Director and
- Has a classification directly involved with investment portfolio management or analysis of investments or holds the position of Investment Operations Manager
- Other staff responsible for investment portfolio administration and support, compliance, risk and reporting are not eligible

If an employee begins employment in an eligible position after July 1 of any year, the employee may become a Participant on the first date of employment and participation will be prorated based on the total number of days employed during the Performance Period. An eligible employee will be asked to opt to participate in the ICP at the start of each fiscal year or at the start of their employment. Any eligible employee may opt to not participate in the ICP at any time. Once an employee opts to not participate in the ICP, that decision will be valid and binding on the employee for the fiscal year during which the employee opted out. An employee will not be eligible for any ICP payments for the full fiscal year during which they opted out. No partial ICP payments will be made for partial fiscal years during which an employee opted out. The performance of an employee who opts out will be documented and measured utilizing the same metrics.

Participant Eligibility for Other Approved Compensation Strategies

Participants in the ICP remain eligible to participate in compensation strategies such as merit adjustments, criteria-based adjustments, market or other base pay adjustments that are employed by the State of Arizona or the ASRS with the following exception:

- Any strategy or combination of strategies whose express purpose is to provide incentive to achieve performance-based goals and the opportunity to receive variable pay (i.e., pay that is not considered part of base salary).

Performance Period

For purposes of the ICP, the Performance Period is the state fiscal year, which begins on July 1 of each year and ends on June 30 of the following year. Due to lagged valuations, Private Market returns will be for the year ending March 31.

Maximum Incentive Compensation Opportunity

Participants in the ICP have the opportunity to earn incentive compensation of 60% of the base salary in effect on July 1 of the Performance Period:

Performance Categories

Incentive compensation categories were developed to have the following characteristics:

- Incentivize positive results
- Ascribe positive results to personnel responsible for decision making
- Fair
- Achievable
- Measurable
- Flexible for the agency

Applicability of Performance Categories

All performance categories apply to the Chief Investment Officer (CIO) and the Investment Operations Manager. For the CIO and the Investment Operations Manager, the method used to calculate private asset class performance will be consistent with the approach used to measure the private markets asset classes.

Performance categories apply to all eligible ASRS Investment Professionals listed below and are applicable based on whether their asset coverage is within public markets, private markets or both:

- Chief Investment Officer (CIO)
- Deputy Chief Investment Officer
- Senior Portfolio Manager
- Portfolio Manager
- Assistant Portfolio Manager
- Senior Portfolio Analyst
- Senior Investment Analyst
- Portfolio Analyst
- Investment Analyst
- Investment Operations Manager
- Other – as determined by the ASRS Director

(Note: Working titles vary depending on portfolio/investment focus but will fall within the broader professional classifications above.)

Performance Categories and Performance Calculations

1. *Internal Portfolio Performance:*

Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}, as of June 30, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%. Each portfolio will be dollar weighted to determine the overall excess performance. Any new internally managed portfolios will be included during the first available full month of performance utilizing relevant benchmarks.

2. *Asset Class Performance:*

Refer to the Strategic Asset Allocation Policy (SAAP) for definitions of ASRS asset classes. Asset class performance in public asset classes is measured using 1- and 5-year time-weighted historical net of fee rates of return, as of June 30, relative to established benchmarks (see Appendix B) using time-weighted returns. Each period return is weighted equally at 50%.

3. *Real Estate:*

Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}, as of March 31, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%. The real estate asset class may invest across publicly-traded and private investments.

4. *Credit Performance:*

Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}, as of March 31, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%.

5. *Interest Rate Sensitive:*

Portfolio performance is measured on 1- and 5-year historical net rates of return, as of June 30, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%.

6. *Private Equity:*

Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}, as of March 31, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%.

7. *Other:*

Portfolio performance is measured on 1- and 5-year historical net TWR, as of June 30, relative to established benchmarks (see Appendix B). Note, inclusion of the Other asset class within the calculation is dependent on the long-term strategic nature of the investments held within the asset class and the ability to measure excess performance.

8. *Total Fund Performance:*

Total fund performance is measured on 1- and 5-year historical net TWR, as of June 30, relative to the ASRS Strategic Asset Allocation Policy benchmark (see Appendix B). Each period return is weighted equally at 50%. Total fund represents aggregate Plan, System, Health Benefit Supplement (HBS) and Long-Term Disability (LTD) assets.

9. *Qualitative Performance:*

Individual and team goals, objectives, and other contributions and attributes will be reviewed. Evaluation criteria may vary by Participant and will be designed to reflect desired organizational attributes such as leadership, organizational competence, interpersonal relationship skills, effective teamwork, accountability, training and mentoring, project participation, process improvement, and other factors. Each year, criteria will be developed and documented by the CIO and/or ASRS Director for each Participant as part of this program and an agency performance appraisal measurement will be utilized as a component of the final calculations for the ICP. Consideration will be given to compliance exceptions, investment risks, reputational risks, and ethics violations.

The points allocated to Participants for each category will be calculated based upon the proportionate Actual Outperformance as a ratio of the Excess Return Target. Achieving 80% of the Excess Return Target will result in receiving 80% of the points for that category. Achieving 20% of the Excess Return Target will result in receiving 20% of the points for that category.

All returns utilized will be calculated or reviewed by the ASRS external general investment consultant.

Any methodological or interpretational issues that may arise will be determined by either ASRS ASD staff or the ASRS Director, as neither are eligible for the ICP.

Incentive Compensation Distribution

Should an error be discovered after the payment date, the ASRS may make an adjustment and recover payments, including offsetting future compensation or making additional payments.

Payment Date

When applicable, ICP payments will be made on or before November 30 (or as feasible), following the close of the Performance Period (fiscal year ended June 30).

Treatment of Payments

All payments under the ICP are subject to any deductions and withholdings required by federal, state, or local law at the time of payment. The ASRS is not obligated to otherwise advise an employee of the existence of any amounts that ASRS is required to withhold.

The payments will be lump sum, not added to base pay, and not spread out over the year. The payments must be re-earned each year.

Incentive compensation payments will be considered “compensation” and will have standard retirement, health benefit supplement, and LTD contributions paid on them by either or both the employee and the employer at the time they are paid.

Employment Status

A Participant must be considered in “good standing” on the payment date to be eligible to receive an incentive compensation payment. That is, the employee must not be subject to current or pending corrective action, which includes working under a performance improvement plan.

A Participant also must be employed by the ASRS on the scheduled payment date to be eligible to receive an incentive compensation payment. A Participant will not receive any payment, either in full or on a pro-rated basis, if they separate for any reason, including resignation, retirement, disability, death, or involuntary termination, prior to the date of payment.

Administration

The ASRS Director will administer the ICP, with oversight by the ASRS Board of Trustees. Specifically, the ASRS Director will notify the Board of the participant(s) and aggregate ICP payments made to each participant within 30 days of such payments. The ASRS Director will also notify the Board if ICP payments are not made.

The ICP will be in compliance with all applicable state or federal laws, regulations, policies, and guidelines. The ASRS Director will have full discretion to decide all questions or matters relating to the interpretation of the ICP and its administration.

Power to Amend

The ICP may be amended by the ASRS Director upon:

1. Presenting amendments to the ASRS Investment Committee for acceptance; and
2. Presenting amendments to the full Board for acceptance; and
3. Consultation with the Director of ADOA.

Effective Date

The initial Performance Period for the ICP will begin July 1 of the year the plan is adopted and a copy filed with the governmental offices required by A.R.S. § 38-611.01.

Record Keeping and Reporting

All performance, salary, and incentive compensation records for the ICP will be maintained by the ASRS Human Resources in accordance with established records retention schedules and requirements.

Performance Category Weightings and Net Excess Return Targets

Public Equity performance objectives will be weighted as follows:

Internal Portfolio(s) Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20	20	30	30	100

Public Equity asset class net (after investment expenses) excess return targets as follows:

Internal Portfolio(s) Excess Return Target (bps)	Asset Class Excess Return Target (bps)	Total Fund Excess Return Target (bps)	Qualitative Performance
10	20	35	Determined by CIO and/or Director

Interest Rate Sensitive performance objectives will be weighted as follows:

Internal Portfolio(s) Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20	20	30	30	100

Interest Rate Sensitive asset class net (after investment expenses) excess return targets as follows:

Internal Portfolio(s) Excess Return Target (bps)	Asset Class Excess Return Target (bps)	Total Fund Excess Return Target (bps)	Qualitative Performance
10	10	35	Determined by CIO and/or Director

Private Equity performance objectives will be weighted as follows:

Private Equity, Performance		Total Fund Performance	Qualitative Performance	TOTAL Points
40		30	30	100

Private Equity net (after investment expenses) excess return targets as follows:

Private Equity Excess Return Target (bps)		Total Fund Excess Return Target (bps)	Qualitative Performance
50		35	Determined by CIO and/or Director

Real Estate performance objectives will be weighted as follows:

Real Estate Performance		Total Fund Performance	Qualitative Performance	TOTAL Points
40		30	30	100

Real Estate net (after investment expenses) excess return targets as follows:

Real Estate Excess Return Target (bps)		Total Fund Excess Return Target (bps)	Qualitative Performance
50		35	Determined by CIO and/or Director

Credit performance objectives will be weighted as follows:

Credit Performance		Total Fund Performance	Qualitative Performance	TOTAL Points
40		30	30	100

Credit net (after investment expenses) excess return targets as follows:

Credit Excess Return Target (bps)		Total Fund Excess Return Target (bps)	Qualitative Performance
50		35	Determined by CIO and/or Director

APPENDIX A: Responsibility Matrices

Chief Investment Officer – 1

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20 All Internal Portfolios	20 All Asset Classes	30 Total Fund	30 Performance Appraisal	100

Deputy Chief Investment Officers - 2

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20 All Internal Equity Portfolios All Internal Fixed Income Portfolios	20 All Equities Private Equity All Public Fixed Income & Credit	30 Total Fund	30 Performance Appraisal	100

Public Equity Senior Portfolio Manager/Portfolio Manager Assistant Portfolio Manager/Senior Portfolio Analyst/ Portfolio Analyst - 3

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20 All Internal Equity Portfolios + Sec Lending	20 All Public U.S. and Non-U.S. Equities	30 Total Fund	30 Performance Appraisal	100

Interest Rate Sensitive & Credit Senior Portfolio Manager/Portfolio Manager Assistant Portfolio Manager/Senior Portfolio Analyst/ Portfolio Analyst - 4

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20 All Internal Interest Rate Sensitive	20 Interest Rate Sensitive & Credit	30 Total Fund	30 Performance Appraisal	100

**Private Markets Senior Portfolio Manager/Portfolio Manager/
Assistant Portfolio Manager/Senior Portfolio Analyst/ Portfolio Analyst - 5**

Real Estate and Inflation Linked Performance	Private Equity Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20 Real Estate	20 Private Equity	30 Total Fund	30 Performance Appraisal	100

**Private Equity Senior Portfolio Manager/Portfolio Manager/
Assistant Portfolio Manager/Senior Portfolio Analyst/ Portfolio Analyst - 6**

	Private Equity Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
	40 Private Equity	30 Total Fund	30 Performance Appraisal	100

Investment Operations Manager - 7

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
20 All Internal Portfolios	20 All Asset Classes	30 Total Fund	30 Performance Appraisal	100

APPENDIX B: Performance Benchmarks

Internal Portfolios

E2 (Internal U.S. Large Cap Equity):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
E6 (Internal U.S. Small Cap):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
E10 (Internal U.S. Mid Cap):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
F2 (Internal Fixed Income):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Securities Lending:	Included in Total Fund performance

Asset Classes

Public Markets:

Asset Class benchmarks as defined by the ASRS Strategic Asset Allocation Policy Schematic (SAAP). Public Markets investment returns will be calculated using time-weighted rates of return. Asset Class sub-categories will be measured on a standalone basis and then aggregated based upon market value weights.

Public Equity benchmark:	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Interest Rate Sensitive benchmark:	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Other Benchmark:	Asset weighted custom benchmark

Private Markets

Asset Class benchmarks as defined by the ASRS Strategic Asset Allocation Policy Schematic (SAAP). Private Markets investment returns will be calculated using time-weighted rates of return. Asset Class sub-categories will be measured on a standalone basis and then aggregated based upon market value weights.

Real Estate:	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Private Equity:	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan

Credit benchmark: Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan

Other

As defined by the ASRS Strategic Asset Allocation Policy Schematic (SAAP). Other investment returns will be calculated using time-weighted rates of return.

Other benchmark: Investment Specific

Total Fund

ASRS Total Fund Return: Strategic Asset Allocation Benchmark Returns

APPENDIX C: Example

<p>Steps to calculate amounts for distribution:</p>	<p>For purposes of this example, we use the following assumptions:</p> <ul style="list-style-type: none"> • Position is Portfolio Manager • July 1 base salary is \$100,000 • Maximum incentive opportunity is 60% • Category weighting (Internal Portfolio=20 pts, Asset Class=20pts, Total Fund=30pts, and Qualitative=30pts) sums to a total of 100 points • Net excess return objectives is 10 bps for internal portfolios, 25 bps for asset class, and 35 bps for total fund • Actual Excess Returns (illustrative only): <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Category</th> <th style="text-align: center;">1-year (50%)</th> <th style="text-align: center;">5-year (50%)</th> </tr> </thead> <tbody> <tr> <td>Internal Portfolio</td> <td style="text-align: center;">33 bps</td> <td style="text-align: center;">29 bps</td> </tr> <tr> <td>Asset Class</td> <td style="text-align: center;">-10 bps</td> <td style="text-align: center;">10 bps</td> </tr> <tr> <td>Total Fund</td> <td style="text-align: center;">-100 bps</td> <td style="text-align: center;">10 bps</td> </tr> <tr> <td>Qualitative</td> <td style="text-align: center;">Meets</td> <td style="text-align: center;">Exceeds</td> </tr> </tbody> </table>	Category	1-year (50%)	5-year (50%)	Internal Portfolio	33 bps	29 bps	Asset Class	-10 bps	10 bps	Total Fund	-100 bps	10 bps	Qualitative	Meets	Exceeds																					
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Asset Class	-10 bps	10 bps																																			
Total Fund	-100 bps	10 bps																																			
Qualitative	Meets	Exceeds																																			
<p>1. Determine maximum incentive compensation opportunity (See Maximum Incentive Compensation Opportunity section)</p>	<p style="text-align: center;">$\\$100,000 * 60\% = \\$60,000$</p>																																				
<p>2. Identify established performance categories and compare to actual performance (See Performance Categories section)</p>	<table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Category</th> <th colspan="2" style="text-align: center;">1-year</th> <th colspan="2" style="text-align: center;">5-year</th> </tr> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Expected</th> <th style="text-align: center;">Actual</th> <th style="text-align: center;">Expected</th> <th style="text-align: center;">Actual</th> </tr> </thead> <tbody> <tr> <td>Internal Portfolio</td> <td style="text-align: center;">10 bps</td> <td style="text-align: center;">33</td> <td style="text-align: center;">10 bps</td> <td style="text-align: center;">29</td> </tr> <tr> <td>Asset Class</td> <td style="text-align: center;">25 bps</td> <td style="text-align: center;">-10</td> <td style="text-align: center;">25 bps</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Total Fund</td> <td style="text-align: center;">35 bps</td> <td style="text-align: center;">-100</td> <td style="text-align: center;">35 bps</td> <td style="text-align: center;">10</td> </tr> <tr> <td>Qualitative[^]</td> <td colspan="2" style="text-align: center;">Meets</td> <td colspan="2" style="text-align: center;">Exceeds</td> </tr> </tbody> </table> <p><i>([^]Note: The qualitative performance points are determined by the CIO and the Director, depending on individual objectives achieved and contributions made.)</i></p>	Category	1-year		5-year			Expected	Actual	Expected	Actual	Internal Portfolio	10 bps	33	10 bps	29	Asset Class	25 bps	-10	25 bps	10	Total Fund	35 bps	-100	35 bps	10	Qualitative [^]	Meets		Exceeds							
Category	1-year		5-year																																		
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Qualitative [^]	Meets		Exceeds																																		
<p>3. Convert actual performance (in bps) to points (See Performance Category Weightings and Net Excess Return Targets section)</p>	<table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Category (Weight)</th> <th colspan="2" style="text-align: center;">1-year</th> <th colspan="2" style="text-align: center;">5-year</th> <th></th> </tr> </thead> <tbody> <tr> <td>Internal Portfolio (20)</td> <td style="text-align: center;">10</td> <td style="text-align: center;">(33>=100% of points)</td> <td style="text-align: center;">+ 10</td> <td style="text-align: center;">(29>=100 % of points)</td> <td style="text-align: center;">=20.00</td> </tr> <tr> <td>Asset Class (20)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">(-10=0% of points)</td> <td style="text-align: center;">+ 4</td> <td style="text-align: center;">(10=40% of points)</td> <td style="text-align: center;">=4.00</td> </tr> <tr> <td>Total Fund (30)</td> <td style="text-align: center;">0</td> <td style="text-align: center;">(-100=0% of points)</td> <td style="text-align: center;">+ 4.28</td> <td style="text-align: center;">(10=28.5% of points)</td> <td style="text-align: center;">=4.28</td> </tr> <tr> <td>Qualitative[^] (30)</td> <td colspan="2" style="text-align: center;">Meets (9 pts)</td> <td colspan="2" style="text-align: center;">Exceeds (15 pts)</td> <td style="text-align: center;">=24.00</td> </tr> <tr> <td></td> <td colspan="4" style="text-align: right;">Total Points</td> <td style="text-align: center;">52.28</td> </tr> </tbody> </table>	Category (Weight)	1-year		5-year			Internal Portfolio (20)	10	(33>=100% of points)	+ 10	(29>=100 % of points)	=20.00	Asset Class (20)	0	(-10=0% of points)	+ 4	(10=40% of points)	=4.00	Total Fund (30)	0	(-100=0% of points)	+ 4.28	(10=28.5% of points)	=4.28	Qualitative [^] (30)	Meets (9 pts)		Exceeds (15 pts)		=24.00		Total Points				52.28
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<p>4. Convert points to a percentage</p>	<table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Total Points</th> <th style="text-align: center;">= Percentage</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">52.28</td> <td style="text-align: center;">52.28%</td> </tr> </tbody> </table>	Total Points	= Percentage	52.28	52.28%																																
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52.28	52.28%																																				
<p>5. Determine incentive compensation amount to distribute</p>	<p style="text-align: center;">$52.28\% * \\$60,000 = \\$31,368$</p>																																				



Your investment.
Your future.
Secure for your lifetime.

March 26, 2026

Agenda Item

10-14

- 7. Summary of Current Events (no materials)
- 8. Call to the Public (no materials)
- 9. Board Member or Executive Director Requests for Future Agenda Items (no materials)
- 10. The next ASRS Investment Committee (no materials)
- 11. Adjournment (no materials)



An agency of the State of Arizona



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Appendices

- **Appendix A.** – Agenda Item #9. Draft Revision of the Investment Compensation Program Plan.



An agency of the State of Arizona

APPENDIX A

INCENTIVE COMPENSATION PLAN For Internal Investment Professionals



Arizona State Retirement System

Amended March 2026~~July 2022~~

Arizona State Retirement System Incentive Compensation Plan for Internal Investment Professionals

Contents

Authority	2
Purpose and Objectives	2
Eligibility for Participation	3
Participant Eligibility for Other Approved Compensation Strategies.....	3
Performance Period	4
Maximum Incentive Compensation Opportunity.....	4
Performance Categories <u>and Performance Calculations</u>	4
Applicability of Performance Categories	4
1. Internal Portfolio Performance	5
2. Asset Class Performance.....	<u>55</u>
3. Real Estate.....	<u>4</u>
4. Credit Performance.....	6
5. Interest Rate Sensitive.....	6
6. Private Equity	6
7. Other	6
8. Total Fund Performance	6
9. Qualitative Performance.....	8
Incentive Compensation Distribution.....	6
Payment Date	6
Treatment of Payments	6
Employment Status.....	9
Administration.....	9
Power to Amend	7
Effective Date	7
Record Keeping and Reporting	7
Performance Category Weightings and Net Excess Return Targets	8
APPENDIX A: Responsibility Matrices	<u>910</u>
APPENDIX B: Performance Benchmarks	16
APPENDIX C: Example.....	<u>1214</u>

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To support this purpose, the ICP is designed to help ASRS:

- 1) Retain high-caliber investment professionals by providing competitive, performance-based compensation.
- 2) Attract high-caliber investment professionals through a market-aligned total compensation structure.

3) Incentivize strong investment performance by aligning compensation with investment results and strategic objectives.

~~The purpose of the ICP is to further enhance the investment management and performance of the ASRS Trust Fund.~~

~~In order to achieve this purpose, the ICP has been designed to contribute to the ASRS's ability to meet the following objectives:~~

- ~~1. Retain high-caliber investment professionals
(By providing performance-based compensation.)~~
- ~~2. Attract high-caliber investment professionals
(By providing performance-based compensation.)~~
- ~~3. Incentivize investment performance
(By aligning investment personnel compensation with investment results.)~~

Eligibility for Participation

To be eligible to participate (a "Participant") in the ICP, an ASRS employee must be in a position that:

- Is allocated to Investment Management as determined by the ASRS Director and
- Has a classification directly involved with investment portfolio management or analysis of investments or holds the position of Investment Operations Manager
- ~~Other staff responsible for investment portfolio administration and support, compliance, risk and reporting are not eligible~~

If an employee begins employment in an eligible position after July 1 of any year, the employee may become a Participant on the first date of employment and participation will be prorated based on the total number of days employed during the Performance Period. An eligible employee will be asked to opt to participate in the ICP at the start of each fiscal year or at the start of their employment. Any eligible employee may opt to not participate in the ICP at any time. Once an employee opts to not participate in the ICP, that decision will be valid and binding on the employee for the fiscal year during which the employee opted out. An employee will not be eligible for any ICP payments for the full fiscal year during which they opted out. No partial ICP payments will be made for partial fiscal years during which an employee opted out. The performance of an employee who opts out will be documented and measured utilizing the same metrics.

Participant Eligibility for Other Approved Compensation Strategies

Participants in the ICP remain eligible to participate in compensation strategies such as merit adjustments, criteria-based adjustments, market or other base pay adjustments that are employed by the State of Arizona or the ASRS with the following exception:

- Any strategy or combination of strategies whose express purpose is to provide incentive to achieve performance-based goals and the opportunity to receive variable pay (i.e., pay that is not considered part of base salary).

Performance Period

For purposes of the ICP, the Performance Period is the state fiscal year, which begins on July 1 of each year and ends on June 30 of the following year. Due to lagged valuations, Private Market returns will be for the year ending March 31.

Maximum Incentive Compensation Opportunity

~~PA Participants in the ICP have the~~ ~~has the~~ opportunity to earn incentive compensation ~~up to 30% of 60%~~ of the base salary in effect on July 1 of the Performance Period.

Performance Categories

Incentive compensation categories were developed to have the following characteristics:

- Incentivize positive results
- Ascribe positive results to personnel responsible for decision making
- Fair
- Achievable
- Measurable
- Flexible for the agency

Applicability of Performance Categories

All performance categories apply to the Chief Investment Officer (CIO) and the Investment Operations Manager. For the CIO and the Investment Operations Manager, the method used to calculate private asset class performance will be consistent with the approach used to measure the private markets asset classes.

Performance categories apply to all eligible ASRS Investment Professionals listed below and are applicable based on whether their asset coverage is within public markets, private markets or both:

- Chief Investment Officer (CIO)
- Deputy Chief Investment Officer
- Senior Portfolio Manager
- Portfolio Manager
- Assistant Portfolio Manager
- Senior Portfolio Analyst
- Senior Investment Analyst
- Portfolio Analyst
- Investment Analyst
- Investment Operations Manager
- Other – as determined by the ASRS Director

(Note: ~~W~~orking titles vary depending on portfolio/investment ~~focus, but~~ focus but will fall within the broader professional classifications above.)

Performance Categories and Performance Calculations:

1. *Internal Portfolio Performance:*

Portfolio performance is measured on 1- and ~~53~~-year historical net returns {time-weighted rate of return ('TWR')}, as of June 30, relative to established benchmarks (see Appendix B). ~~Each period return is, in each period,~~ weighted equally at 50%. Each portfolio will be dollar weighted to determine the overall excess performance. Any new internally managed portfolios will be included during the first available full month of performance utilizing relevant benchmarks.

2. *Asset Class Performance:*

Refer to the Strategic Asset Allocation Policy (SAAP) for definitions of ASRS asset classes. Asset class performance in public asset classes is measured using 1- and ~~53~~-year time-weighted historical net of fee rates of return, as of June 30, relative to established benchmarks (see Appendix B) using time-weighted returns. Each period ~~return~~ is weighted equally at 50%. ~~Private market asset class performance is measured using long-term Internal Rate of Return ('IRR') where applicable as defined by their asset class benchmark defined herein.~~

3. *Real Estate:*

~~Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}, as of Portfolio performance is measured using the 10-year internal rate of return (IRR), as of March 31, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%. relative to an~~

~~absolute rate of return tied to the underwriting standard of the asset class (see Appendix B). The 10-year IRR is calculated using the combined cash flows and terminal values of all investments. The real estate asset class may invest across publicly-traded and private investments. To measure the combined performance, ASRS measures real estate performance based on IRR. In recognition of the flexibility within the asset class to invest across asset types, ASRS may measure public assets using a time-weighted rate of return calculation based on industry prevailing practice.~~

4. *Credit Performance:*

~~Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}. Portfolio Performance is measured using the 7-year IRR as of March 31, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%. relative to an absolute rate of return tied to the underwriting standard of the asset class (see Appendix B). The 7-year IRR is calculated using the combined cash flows and terminal values of all investments. The Credit asset class may invest across publicly-traded and private investments. To measure the combined performance, ASRS measures Credit performance based on the TWR until such time that the historical public markets investments roll out of the time period measured. In recognition of the flexibility within the asset class to invest across asset types, ASRS may measure Credit using a time-weighted rate of return calculation based on industry prevailing practice.~~

5. *Interest Rate Sensitive:*

Portfolio performance is measured on 1- and 53-year historical net rates of return, as of June 30, relative to established benchmarks (see Appendix B). Each period return is, with each period weighted equally at 50%.

6. *Private Equity:*

~~Portfolio performance is measured on 1- and 5-year historical net returns {time-weighted rate of return ('TWR')}. Portfolio performance is measured using the 10-year IRR, as of March 31, relative to established benchmarks (see Appendix B). Each period return is weighted equally at 50%. relative to an absolute rate of return tied to the underwriting standard of the asset class (see Appendix B). The 10-year IRR will be calculated using the combined cash flows and terminal values of all investments in determining the overall excess performance.~~

7. *Other:*

Portfolio performance is measured on 1- and 53-year historical net TWR, as of June 30, relative to established benchmarks (see Appendix B). Note, inclusion of the Other asset class within the calculation is dependent on the long-term strategic nature of the investments held within the asset class and the ability to measure excess performance.

8. *Total Fund Performance:*

Total fund performance is measured on 1- and 53-year historical net TWR, as of June 30, relative to the ASRS Strategic Asset Allocation Policy benchmark (see Appendix B). Each period return, with each period, including the implementation period, is weighted equally at 50%. Total fund represents aggregate Plan, System, Health Benefit Supplement (HBS) and Long-Term Disability (LTD) assets.

|

9. *Qualitative Performance:*

Individual and team goals, objectives, and other contributions and attributes will be reviewed. Evaluation criteria may vary by Participant and will be designed to reflect desired organizational attributes such as leadership, organizational competence, interpersonal relationship skills, effective teamwork, accountability, training and mentoring, project participation, process improvement, and other factors. Each year, criteria will be developed and documented by the CIO and/or ASRS Director for each Participant as part of this program and an agency performance appraisal measurement will be utilized as a component of the final calculations for the ICP. Consideration will be given to compliance exceptions, investment risks, reputational risks, and ethics violations.

The points allocated to Participants for each category will be calculated based upon the proportionate Actual Outperformance as a ratio of the Excess Return Target. Achieving 80% of the Excess Return Target will result in receiving 80% of the points for that category. Achieving 20% of the Excess Return Target will result in receiving 20% of the points for that category.

~~*Outperformance in at least one of the first eight performance categories must occur for any incentive compensation to be earned. In other words, no incentive compensation will be paid if the only outperformance occurs in the qualitative category.*~~

All returns utilized will be calculated or reviewed by the ASRS external general investment consultant.

Any methodological or interpretational issues that may arise will be determined by either ASRS ASD staff or the ASRS Director, as neither are eligible for the ICP.

Incentive Compensation Distribution

Should an error be discovered after the payment date, the ASRS may make an adjustment and recover payments, including offsetting future compensation or making additional payments.

Payment Date

When applicable, ICP payments will be made on or before November 30 (or as feasible), following the close of the Performance Period (fiscal year ended June 30).

Treatment of Payments

All payments under the ICP are subject to any deductions and withholdings required by federal, state, or local law at the time of payment. The ASRS is not obligated to otherwise advise an employee of the existence of any amounts that ASRS is required to withhold.

The payments will be lump sum, not added to base pay, and not spread out over the year. The payments must be re-earned each year.

Incentive compensation payments will be considered “compensation” and will have standard retirement, health benefit supplement, and LTD contributions paid on them by either or both the employee and the employer at the time they are paid.

Employment Status

A Participant must be considered in “good standing” on the payment date to be eligible to receive an incentive compensation payment. That is, the employee must not be subject to current or pending corrective action, which includes working under a performance improvement plan.

A Participant also must be employed by the ASRS on the scheduled payment date to be eligible to receive an incentive compensation payment. A Participant will not receive any payment, either in full or on a pro-rated basis, if they separate for any reason, including resignation, retirement, disability, death, or involuntary termination, prior to the date of payment.

Administration

The ASRS Director will administer the ICP, with oversight by the ASRS Board of Trustees. Specifically, the ASRS Director will notify the Board of the participant(s) and aggregate ICP payments made to each participant within 30 days of such payments. The ASRS Director will also notify the Board if ICP payments are not made.

The ICP will be in compliance with all applicable state or federal laws, regulations, policies, and guidelines. The ASRS Director will have full discretion to decide all questions or matters relating to the interpretation of the ICP and its administration.

Power to Amend

The ICP may be amended by the ASRS Director upon:

1. Presenting amendments to the ASRS Investment Committee for acceptance; and
2. Presenting amendments to the full Board for acceptance; and
3. Consultation with the Director of ADOA.

Effective Date

The initial Performance Period for the ICP will begin July 1 of the year the plan is adopted and a copy filed with the governmental offices required by A.R.S. § 38-611.01.

Record Keeping and Reporting

All performance, salary, and incentive compensation records for the ICP will be maintained by the ASRS Human Resources in accordance with established records retention schedules and requirements.

Performance Category Weightings and Net Excess Return Targets

~~Public Market Public Equity asset classes~~ performance objectives will be weighted as follows:

Internal Portfolio(s) Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>20</u> 5	<u>20</u> 5	<u>30</u> 25	<u>30</u> 25	100

~~Public Market Public Equity asset classes~~ net (after investment expenses) excess return targets as follows:

Internal Portfolio(s) Excess Return Target (bps)	Asset Class Excess Return Target (bps)	Total Fund Excess Return Target (bps)	Qualitative Performance
10	<u>20</u> 5	<u>35</u> 40	Determined by CIO and/or Director

Interest Rate Sensitive performance objectives will be weighted as follows:

<u>Internal Portfolio(s) Performance</u>	<u>Asset Class Performance</u>	<u>Total Fund Performance</u>	<u>Qualitative Performance</u>	<u>TOTAL Points</u>
<u>20</u>	<u>20</u>	<u>30</u>	<u>30</u>	<u>100</u>

Interest Rate Sensitive asset class net (after investment expenses) excess return targets as follows:

<u>Internal Portfolio(s) Excess Return Target (bps)</u>	<u>Asset Class Excess Return Target (bps)</u>	<u>Total Fund Excess Return Target (bps)</u>	<u>Qualitative Performance</u>
<u>10</u>	<u>10</u>	<u>35</u>	<u>Determined by CIO and/or Director</u>

~~Private Equity and Real Estate asset classes~~ performance objectives will be weighted as follows:

<u>Private Equity</u> <u>Real Estate</u> Performance	Private Equity Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>40</u> <u>25</u>	25	<u>30</u> <u>25</u>	<u>30</u> <u>25</u>	100

Private Equity and Real Estate net (after investment expenses) excess return targets as follows:

<u>Real Estate</u> <u>Private Equity</u> Excess Return Target (bps)	Private Equity Excess Return Target (bps)	Total Fund Excess Return Target (bps)	Qualitative Performance
<u>50</u> <u>100</u>	300	<u>35</u> <u>40</u>	Determined by CIO and/or Director

Real Estate performance objectives will be weighted as follows:

<u>Real Estate</u> Performance		<u>Total Fund</u> Performance	<u>Qualitative</u> Performance	<u>TOTAL</u> Points
<u>40</u>		<u>30</u>	<u>30</u>	<u>100</u>

Real Estate net (after investment expenses) excess return targets as follows:

<u>Real Estate</u> Excess Return Target (bps)		<u>Total Fund</u> Excess Return Target (bps)	<u>Qualitative</u> Performance
<u>50</u>		<u>35</u>	Determined by CIO and/or Director

Credit performance objectives will be weighted as follows:

<u>Credit</u> Performance		<u>Total Fund</u> Performance	<u>Qualitative</u> Performance	<u>TOTAL</u> Points
<u>40</u>		<u>30</u>	<u>30</u>	<u>100</u>

Credit net (after investment expenses) excess return targets as follows:

<u>Credit Excess Return Target (bps)</u>		<u>Total Fund Excess Return Target (bps)</u>	<u>Qualitative Performance</u>
<u>50</u>		<u>35</u>	<u>Determined by CIO and/or Director</u>

APPENDIX A: Responsibility Matrices

Chief Investment Officer - 1

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>20</u> All Internal Portfolios	<u>20</u> All Asset Classes	<u>30</u> Total Fund	<u>30</u> Performance Appraisal	100

Deputy Chief Investment Officers - 2

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>20</u> All Internal Equity Portfolios	<u>20</u> All Equities Real Estate Private Equity	<u>30</u> Total Fund	<u>30</u> Performance Appraisal	100
A <u>A</u> All Internal Fixed Income Portfolios	All Public Fixed Income & Portfolios Credit Other			

Public Equity Senior Portfolio Manager/Portfolio Manager/~~Assistant Portfolio Manager~~ ~~Assistant Portfolio Manager~~/Senior Portfolio Analyst/ Portfolio Analyst - 3

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>20</u> All Internal Equity Portfolios ++ Securities Lending	<u>20</u> All Public U.S. and Non-U.S. Equities	<u>30</u> Total Fund	<u>30</u> Performance Appraisal	100

Interest Rate Sensitive & Credit Senior Portfolio Manager/Portfolio Manager/~~Assistant Portfolio Manager~~ ~~Assistant Portfolio Manager~~/Senior Portfolio Analyst/ Portfolio Analyst - 4

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>20</u> All Internal Fixed Income Portfolios Interest Rate Sensitive + Credit	<u>20</u> Interest Rate Sensitive & Credit	<u>30</u> Total Fund	<u>30</u> Performance Appraisal	100

**Senior Portfolio Manager/Portfolio Manager/Assistant Portfolio Manager
Senior Portfolio Analyst/ Portfolio Analyst**

Internal Portfolio Performance	Asset Class Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
All Internal Fixed Income Portfolios	Interest Rate Sensitive & Credit	Total Fund	Performance Appraisal	100

Private Markets Senior Portfolio Manager/Portfolio Manager/Assistant Portfolio Manager

Assistant Portfolio Manager/Senior Portfolio Analyst/ Portfolio Analyst - 5

Real Estate and Inflation Linked Performance	Private Equity Performance	Total Fund Performance	Qualitative Performance	TOTAL Points
<u>20</u> All Private Real Estate, REIT and Inflation Linked investments authorized on or after September 20, 2010	<u>20</u> All Private Equity investments authorized on or after September 20, 2010	<u>30</u> Total Fund	<u>30</u> Performance Appraisal	100

**Private Equity Senior Portfolio Manager/Portfolio Manager/
Assistant Portfolio Manager/Senior Portfolio Analyst/ Portfolio Analyst - 6**

	<u>Private Equity Performance</u>	<u>Total Fund Performance</u>	<u>Qualitative Performance</u>	<u>TOTAL Points</u>
	<u>40</u> <u>Private Equity</u>	<u>30</u> <u>Total Fund</u>	<u>30</u> <u>Performance Appraisal</u>	<u>100</u>

Investment Operations Manager - 7

<u>Internal Portfolio Performance</u>	<u>Asset Class Performance</u>	<u>Total Fund Performance</u>	<u>Qualitative Performance</u>	<u>TOTAL Points</u>
<u>20</u> <u>All Internal Portfolios</u>	<u>20</u> <u>All Asset Classes</u>	<u>30</u> <u>Total Fund</u>	<u>30</u> <u>Performance Appraisal</u>	<u>100</u>

APPENDIX B: Performance Benchmarks

Internal Portfolios

E2 (Internal U.S. Large Cap Equity):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
E6 (Internal U.S. Small Cap):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
E10 (Internal U.S. Mid Cap):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
F2 (Internal Fixed Income):	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Securities Lending:	Included in Total Fund performance

Asset Classes

Public Markets:

Asset Class benchmarks as defined by the ASRS Strategic Asset Allocation Policy Schematic (SAAP). Public Markets investment returns will be calculated using time-weighted rates of return. Asset Class sub-categories will be measured on a standalone basis and then aggregated based upon market value weights.

Public Equity benchmark:	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Interest Rate Sensitive benchmark:	Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
Other Benchmark:	Asset weighted custom benchmark

Private Markets

Asset Class benchmarks as defined by the ASRS Strategic Asset Allocation Policy Schematic (SAAP). Private Markets investment returns will be calculated using time-weighted rates of return. Asset Class sub-categories will be measured on a standalone basis and then aggregated based upon market value weights.

The Asset Class return for Real Estate & Inflation Linked will be a dollar-weighted composite of Real Estate, REITS and Inflation Linked Assets (Commodities, Farmland, and Infrastructure).

Real Estate:	<u>Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan</u>
<u>7% Absolute</u>	

The Asset Class return for Private Equity will be a dollar-weighted composite of Private Equities and Opportunistic Private Equities.

Private Equity: Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
~~8% Absolute~~

~~Private Market investment returns will be calculated using 10-year trailing IRR.~~

~~Credit returns will be calculated using a 7-year trailing IRR and compared to the relative benchmark on a 1 quarter lag (due to third-party pricing methodologies). Note, ASRS may use TWR when public and private markets investment are aggregated.~~

Credit benchmark: Market Standard benchmark consistent with Board approved Strategic Asset Allocation Plan
~~S&P/ LSTA Levered Loan Index plus 250 bps~~

Other

As defined by the ASRS Strategic Asset Allocation Policy Schematic (SAAP). Other investment returns will be calculated using time-weighted rates of return.

Other benchmark: Investment Specific

Total Fund

ASRS Total Fund Return: Strategic Asset Allocation Benchmark Returns

APPENDIX C: Example

<p>Steps to calculate amounts for distribution:</p>	<p>For purposes of this example, we use the following assumptions:</p> <ul style="list-style-type: none"> • Position is Portfolio Manager • July 1 base salary is \$100,000 • Maximum incentive opportunity is 6030% • Each category <u>weighting</u> (Internal Portfolio=20 pts, Asset Class=20pts, Total Fund=30pts, and Qualitative=30pts) <u>sums to a total of is worth a possible 25 points to equal</u> 100 points • Net expected net excess return <u>objectives</u> is 10 bps for internal portfolios, 25 bps for asset class, and 3540 bps for total fund • Actual Excess Returns (illustrative only): <table border="1" data-bbox="781 583 1365 768"> <thead> <tr> <th>Category</th> <th>1-year (50%)</th> <th>53-year (50%)</th> </tr> </thead> <tbody> <tr> <td>Internal Portfolio</td> <td>33 bps</td> <td>29 bps</td> </tr> <tr> <td>Asset Class</td> <td>-10 bps</td> <td>10 bps</td> </tr> <tr> <td>Total Fund</td> <td>-100 bps</td> <td>10 bps</td> </tr> <tr> <td>Qualitative</td> <td>Meets</td> <td>Exceeds</td> </tr> </tbody> </table>	Category	1-year (50%)	53 -year (50%)	Internal Portfolio	33 bps	29 bps	Asset Class	-10 bps	10 bps	Total Fund	-100 bps	10 bps	Qualitative	Meets	Exceeds														
Category	1-year (50%)	53 -year (50%)																												
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Asset Class	-10 bps	10 bps																												
Total Fund	-100 bps	10 bps																												
Qualitative	Meets	Exceeds																												
<p>1. Determine maximum incentive compensation opportunity (See <u>Maximum Incentive Compensation Opportunity</u> section)</p>	<p>\$100,000 * 6030% = \$6030,000</p>																													
<p>2. Identify established performance categories and compare to actual performance (See <u>Performance Categories</u> section)</p>	<table border="1" data-bbox="732 926 1479 1104"> <thead> <tr> <th rowspan="2">Category</th> <th colspan="2">1-year</th> <th colspan="2">53-year</th> </tr> <tr> <th>Expected</th> <th>Actual</th> <th>Expected</th> <th>Actual</th> </tr> </thead> <tbody> <tr> <td>Internal Portfolio</td> <td>10 bps</td> <td>33</td> <td>10 bps</td> <td>29</td> </tr> <tr> <td>Asset Class</td> <td>25 bps</td> <td>-10</td> <td>25 bps</td> <td>10</td> </tr> <tr> <td>Total Fund</td> <td>3540 bps</td> <td>-100</td> <td>3540 bps</td> <td>10</td> </tr> <tr> <td>Qualitative[^]</td> <td colspan="2">Meets</td> <td colspan="2">Exceeds</td> </tr> </tbody> </table> <p>([^]Note: The qualitative performance points are determined by the CIO and the Director, depending on individual objectives achieved and contributions made.)</p>	Category	1-year		53 -year		Expected	Actual	Expected	Actual	Internal Portfolio	10 bps	33	10 bps	29	Asset Class	25 bps	-10	25 bps	10	Total Fund	3540 bps	-100	3540 bps	10	Qualitative [^]	Meets		Exceeds	
Category	1-year		53 -year																											
	Expected	Actual	Expected	Actual																										
Internal Portfolio	10 bps	33	10 bps	29																										
Asset Class	25 bps	-10	25 bps	10																										
Total Fund	3540 bps	-100	3540 bps	10																										
Qualitative [^]	Meets		Exceeds																											
<p>3. Convert actual performance (in bps) to points (See <u>Performance Category Weightings and Net Excess Return Targets</u> section)</p>	<table border="1" data-bbox="732 1205 1520 1566"> <thead> <tr> <th>Category (Weight)</th> <th>1-year</th> <th>53-year</th> </tr> </thead> <tbody> <tr> <td>Internal Portfolio (20)</td> <td>105 (33>=100% of points) + 105 (29>=100 % of points) = 230.00</td> <td>105</td> </tr> <tr> <td>Asset Class (20)</td> <td>0 (-10=0% of points) + 46 (10=40% of points) = 46.00</td> <td>46</td> </tr> <tr> <td>Total Fund (30)</td> <td>0 (-100=0% of points) + 4.283.75 (10=28.55% of points) = 4.283.75</td> <td>4.283.75</td> </tr> <tr> <td>Qualitative[^] (30)</td> <td>Meets (9 pts) = 9.00</td> <td>Exceeds (15 pts) Exceeds = 15.00</td> </tr> <tr> <td>Total Points</td> <td>52.28</td> <td>63.75</td> </tr> </tbody> </table>	Category (Weight)	1-year	53 -year	Internal Portfolio (20)	105 (33>=100% of points) + 105 (29>=100 % of points) = 230.00	105	Asset Class (20)	0 (-10=0% of points) + 46 (10=40% of points) = 46.00	46	Total Fund (30)	0 (-100=0% of points) + 4.283.75 (10=28.55% of points) = 4.283.75	4.283.75	Qualitative [^] (30)	Meets (9 pts) = 9.00	Exceeds (15 pts) Exceeds = 15.00	Total Points	52.28	63.75											
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Total Points	52.28	63.75																												
<p>4. Convert points to a percentage</p>	<p>Total Points = Percentage 63.75 52.28 = 52.2863.75%</p>																													
<p>5. Determine incentive compensation amount to distribute</p>	<p>52.2863.75% * \$6030,000 = \$31,36819,125</p>																													

Mission ► Vision ► Goals

Mission

To provide highly **desirable and sustainable** retirement benefits to our members that support the **recruitment and retention** of high-quality employees for our employer partners.

Vision

To be a top-performing retirement plan, leading the nation in **customer service, investment performance**, and **organizational effectiveness**.

Goals

To **EXCEL** in the areas of:

- Customer Service
- Investment Performance
- Risk Management
- Cost Effectiveness
- Organizational Sustainability and Governance

Our P.R.I.D.E. Values

Our organizational culture will be based upon the following PRIDE values:

How ASRS employees deliver service with



Professionalism: A highly capable workforce will promote a professional & respectful environment and lead the organization.

Results: A results-oriented approach to operations will energize the organization.

Improvement: A climate of continuous quality improvement and enhanced efficiencies will drive the organization.

Diversity: Engagement of diversity by the appreciation, recognition, and support for all people will propel the organization to even greater achievement.

Excellence: A commitment to service excellence will permeate the organization.

The Value of Your Membership



A Pension for Your Lifetime

With ASRS, your monthly pension payments will last for your lifetime.



A Pension that is Secure

Your pension is not impacted by stock market volatility. Your contributions are matched by your employer.



Retiree Medical and Dental Plans

Competitively priced retiree medical and dental insurance plans.



Retiree Medical and Dental Plan Subsidies

Medical and dental subsidies provided based on years of service.



Long Term Disability Insurance

Cost-effective group long-term disability coverage is paid 50% by your employer.



A Pension with Options for Your Beneficiary

Your beneficiary can receive up to 100% of your adjusted monthly pension.



Survivor Benefits

Survivor benefits are payable upon your death whether you are an active, inactive, or retired member.



Flexibility

If you leave your ASRS employer, you have the choice to withdraw your contributions immediately or in the future, roll over your contributions to another retirement plan, or take a future pension.



Additional Tax-Advantaged Savings Plans

You have the opportunity to participate in additional tax-advantaged savings plans which have professional oversight and low costs.



Social Security Coverage

Most employees also obtain full social security coverage.