
**MINUTES: PUBLIC MEETING
ARIZONA STATE RETIREMENT SYSTEM
OPERATIONS, AUDIT, & LEGISLATIVE COMMITTEE
HELD Wednesday, July 30, 2025, 9:30 a.m.**

The Arizona State Retirement System (ASRS) Operations, Audit, & Legislative Committee (OALC) met in public session in the First Floor Board Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Ms. Sarah Webber, Chairperson of the ASRS OALC, called the meeting to order at 9:31 a.m.

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

Present: Ms. Sarah Webber, Chairperson
Mr. Michael Miller, Vice-chair

One vacant position.

A quorum was present for the purpose of conducting business.

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

2. Consent Agenda:

- a. **Minutes of the April 30, 2025, Public Meeting of the Operations, Audit, and Legislative Committee (OALC)**
- b. **Minutes of the April 30, 2025, Executive Session of the Operations, Audit, and Legislative Committee (OALC)**

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

By a roll call vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved

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

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

Ms. Martha Rozen, Chief of Administrative Services, introduced Ms. Athena Elliston, Budget and Procurement Manager; Mr. Jeremy Gunderson, Budget Manager; and Mr. James Samolowicz, Senior Investments Operations Analyst. Ms. Rozen noted the involvement of two external consultants, Mr. Gordon Robertson, from the Joint Legislative Budget Committee, and Mr. Zach Hughes, present for the meeting, from the Governor's Office of Strategic Planning and Budget, and thanked them for their support.

Ms. Elliston thanked Mr. Gunderson for his work in managing the budget process over multiple years. She noted that this will be the third year in a row that there will be a budget request without an increase to spending, and that the ASRS will be continuing its focus on hiring and retaining exceptional employees, collaboration with division chiefs, and continuous security improvements made while maintaining the budget.

Mr. Gunderson presented the administrative portion of both spending plans; Fiscal Year (FY) 2026 includes a \$37.8 million spending plan with increases for health insurance costs, continuously appropriated costs, and security and IT development projects. FY27 consists of a \$38.13 million spending plan with no request for budget increases. The plan includes resources to retain current staff and IT development projects.

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

Ms. Webber asked a question regarding preparation for the next two fiscal years, and a discussion ensued to clarify.

Mr. Miller commended the staff for their diligence and hard work. He complimented the lack of budget increase while still being able to provide high-level service. Ms. Webber agreed, saying the ASRS is not compromising the quality of service during an inflationary period.

Discussion Participants: Mr. Michael Miller, Ms. Sarah Webber, Ms. Athena Elliston, Mr. Jeremy Gunderson, Mr. Paul Matson, Ms. Martha Rozen, Mr. James Samolowicz

Motion for agenda item 3.a.: Mr. Michael Miller moved that the Committee approve and forward to the ASRS Board of Trustees the following:

1. The proposed updated administrative spending plan of \$37,809,000 for FY 2026, with the understanding that there will be changes to the total appropriated budget amount due to legislative and executive adjustments, and the updated continuously appropriated investment spending plan of \$289,335,000 for FY 2026 subject to revised management projections, and to include private markets performance incentives and other fees when identified and paid.

Ms. Sarah Webber seconded the motion.

By a roll call vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved

Mr. Michael Miller – approved

Motion for agenda item 3.b.: Mr. Michael Miller moved that the Committee approve and forward to the ASRS Board of Trustees the following:

1. An appropriated budget request for FY 2027 in the amount of \$28,863,400, with an understanding that there will be changes to the total appropriated budget amount due to legislative and executive recommendations.
2. The proposed administrative spending plan of \$38,134,400 and the continuously appropriated investment spending plan of \$302,833,000 for FY 2027, subject to revised management projections and to include private markets performance incentives and other fees when identified and paid.

Ms. Sarah Webber seconded the motion.

By a roll call vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved

4. Presentation, Discussion, and Appropriate Action Regarding Legislative and Rulemaking Initiatives, Including:

- a. 2025 Legislative Summary**
- b. 5-Year Review Report**
- c. Rulemaking Initiatives**

Ms. Jessica Thomas, Legislative Liaison and Rules Writer, presented information on current legislative updates. She discussed five agency bills and what they pertain to, and said that four out of the five were signed into law, to be effective September 26, 2025. Ms. Thomas disclosed that the fifth bill regarding Return to Work was no longer being pursued to allow stakeholders more time to ensure the bill language benefits the members. Ms. Thomas stated that the few bills that would have had an impact on the ASRS did not pass.

Ms. Thomas presented the 5-Year Review Report, detailing rulemaking initiatives for Articles 1, 2, 4, and 5, all dealing with the retirement system, health insurance premiums, benefits practices and procedures, and purchasing service credit. Ms. Thomas described the corrections that need to be made to keep within the new statutory requirements.

Mr. Miller asked a question regarding the resurfacing of bills that did not pass but could have impacted the ASRS, and a discussion ensued to clarify.

Ms. Webber offered compliments to Ms. Thomas for her dedication and hard work, and Mr. Miller agreed.

Motion for agenda item 4.b.: Mr. Michael Miller moved that the Committee approve the Five-Year Review Report for Articles 1-2 and 4-5 and authorize staff to work with the Governor's Regulatory Review Council to submit the report to the Council. Ms. Sarah Webber seconded the motion.

By a roll call vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved

Ms. Thomas presented information on current rulemaking initiatives and updates, consisting of the progress of the rulemaking process related to Articles 3, 8, and 9. She stated that these are expedited rulemakings, and that there are three regular rulemakings related to Article 1, and another related to Article 9.

Ms. Webber asked a question regarding regular and expedited rulemakings, and Mr. Miller asked a question regarding feedback during oral proceedings. Discussions ensued to clarify.

Discussion Participants: Mr. Michael Miller, Ms. Sarah Webber, Ms. Jessica Thomas

Motion for agenda item 4.c.: Mr. Michael Miller moved that the Committee approve the proposed rulemakings regarding appeals, long-term disability and overpayments, Domestic Relations Orders, and compensation; and that the Committee authorize staff to work with the Secretary of State and the Governor's Regulatory Review Council to complete the rulemakings. Ms. Sarah Webber seconded the motion.

By a roll call vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved

5. Presentation, Discussion, and Appropriate Action Regarding the ASRS' Self-Insured Retiree Health Insurance Program.

Mr. Jeremiah Scott, Deputy Director & Chief Operations Officer, introduced Ms. Jenna Golab, Chief Benefits Officer, and Mr. Russ Levine, Health and Disability Plan Administrator. Mr. Levine presented information on the ASRS 2024 Non-Medicare Health Insurance Program. He noted the total number of enrollees in 2024 and that this was the third year of the self-insured program. Mr. Levine introduced Mr. Richard Ward, Actuary at Segal Co., as an ASRS benefits consultant. Mr. Levine presented key takeaways, stating the different types of plans offered at the ASRS, which of the plans had higher enrollments, and the demographics of enrollees. He commented on the financial performance of the plan, noting that it was within the assumed projection range, resulting in limited premium changes for both plan years 2025 and 2026.

Mr. Miller and Ms. Webber commended the ASRS on the offered insurance programs and the stability of the insurance premiums.

Mr. Miller asked questions regarding different types of member participation, the difference between self-insured and fully insured, and the enrollment timeline. Ms. Webber asked questions regarding the rate of enrollment and the cost of medications. Discussions ensued to clarify.

Discussion participants: Mr. Michael Miller, Ms. Sarah Webber, Mr. Paul Matson, Mr. Russ Levine, Mr. Richard Ward

6. Call to the Public.

No one from the public requested to address the Committee.

7. Presentation, Discussion, and Appropriate Action Regarding the ASRS Information Security Topics, Including:

- a. ASRS Information Security Update
- b. ASRS New Policy on Artificial Intelligence (AI)

Motion: Mr. Michael Miller moved to go into executive session pursuant to A.R.S. § 38-431.03(A) (9) for the purpose of discussion or consideration of security information and records exempt by law from public inspection. Ms. Sarah Webber seconded the motion.

By a roll call vote of 2 in favor, 0 opposed, 0 abstentions, 0 excused, and 1 vacancy, the motion was approved. The Trustee votes were as follows:

Ms. Sarah Webber – approved
Mr. Michael Miller – approved

COMMITTEE COVENED TO EXECUTIVE SESSION: 10:18 a.m.

EXECUTIVE SESSION CONCLUDED: 11:00 a.m.

COMMITTEE RECONVENED TO PUBLIC SESSION: 11:03 a.m.

Chairperson Webber reconvened the Open Session. Ms. Sikes called the roll. A quorum of the Committee was present to discuss business.

8. Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Division's Quarterly Report, Q4 2025.

Mr. Harold Mackey, Chief Internal Auditor, presented information on the quarterly updates and activities of the ASRS Internal Audit Division (IAD). He summarized administrative activities, IAD future plans and strategies, and future internal audit activities involving ASRS divisions. Mr. Mackey presented information on both future and in-progress audits, as well as other completed audits. He noted the start of a new biennial audit process.

Mr. Miller asked a question regarding the location of members who live outside the country, and a discussion ensued to clarify.

Discussion Participants: Mr. Michael Miller, Mr. Harold Mackey

9. Summary of Current Events.

Mr. Paul Matson, Executive Director, announced the retirement of ASRS senior employee Mr. Dave Cannella, Public Affairs Manager. Mr. Matson noted that Mr. Cannella has been with the ASRS since 2002 and was formerly employed with the City of Gilbert and had worked in the private sector in journalism. He stated that Mr. Cannella has added value and perspective in senior management meetings, he is insightful, and that he is a terrific employee and colleague. Mr. Matson thanked Mr. Cannella for his service to the ASRS and the State of Arizona. Trustees and attending staff then thanked Mr. Cannella for his service by applause.

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

There were no requests for future agenda items.

11. The next regular public ASRS Operations, Audit, and Legislative Committee meeting is scheduled for Wednesday, November 05, 2025, at 9:30 a.m.

Ms. Webber noted that the next public ASRS Board meeting is scheduled for Wednesday, November 05, 2025, at 9:30 a.m.

12. Adjournment of the ASRS Operations, Audit, and Legislative Committee.

Ms. Webber adjourned the July 30, 2025, ASRS OALC meeting at 11:16 a.m.

Respectfully Submitted by:

Makenzie Sikes
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM