ARIZONA STATE RETIREMENT SYSTEM
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MINUTES: PUBLIC MEETING
ARIZONA STATE RETIREMENT SYSTEM

INVESTMENT COMMITTEE

HELD Thursday, March 26, 2026
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 9:32 a.m.

1. Call to Order; Roll Call; Opening Remarks

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

Mr. Guillen attended the meeting at 9:33 am.

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

2. Consent Agenda:

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

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

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

Mr. Jay Petkunas - approved
Mr. Tom Connelly - approved
Mr. Rene Guillen - approved

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.

Ms. Rose Dean and Mr. Neil Sheth of NEPC provided an update on the economic and investment environment and reported on Investment Management Division asset class monitoring. They reviewed funds, markets, and benchmark performance, as well as oversight, compliance, and Strategic Asset Allocation Policy (SAAP) history. NEPC noted that ASRS's long-term investment objectives continue to be met. Short-term underperformance is primarily due to valuation differences between private and public market assets. On a risk-adjusted basis, the ASRS portfolio ranks in the top quartile for all periods of five years and longer. Private market asset classes—including private equity, credit, and real estate—have been additive to long-term performance, with private equity and credit contributing to returns above the assumed rate.

Mr. Jay Petkunas requested additional clarification regarding why the time-weighted returns are lagging more significantly than the benchmarks compared to the money-weighted returns.

Discussion Participants: Mr. Jay Petkunas, Mr. Tom Connelly, Ms. Rose Dean, and Mr. Neil Sheth

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.**

   a. **<u>Public Equity:</u>** 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 that 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 SAAP target of 44% and remains well within the policy range. The Public Equity portfolio has performed in line with its benchmark, with modest outperformance over the 1-year, 3-year, 5-year, and since inception periods, and modest underperformance over the 10 years. The 10-year underperformance is attributed to active strategies, both internally and externally managed, that were discontinued approximately seven years ago.

      Mr. Tom Connelly suggested that future discussions include decision points and accompanying long-term commentary for allocation. Discussion ensued to clarify.

      Discussion participants: Mr. Tom Connelly, Mr. Michael Viteri, Mr. Cole Smith

   b. **<u>Interest Rate Sensitive Asset Class:</u>** Mr. John Trusiak, Fixed Income Portfolio Manager, presented information and materials on performance over the market value of the Interest Rate Sensitive asset class, which was $3,730,525,109, representing 5.93% of the Total Fund and slightly below the SAAP target of 6%.

   c. **<u>Private Equity:</u>** Mr. Samer Ghaddar, Deputy CIO, provided an overview of private equity market conditions and portfolio performance. The portfolio outperformed its benchmark over the 1-, 5-, 10-year, and since inception periods. The 3-year underperformance was driven by unusually strong public equity returns embedded in the benchmark. The team plans to deploy $1.5 billion in new commitments to maintain the 13% allocation.

      Mr. Tom Connelly requested a summary of the five most significant changes in portfolio construction since 2019. He also asked for confirmation on whether the underlying fund commitments are reviewed in greater detail. Mr. Jay Petkunas asked whether the Vintage Portfolio summary reflects capital contributed by vintage year or total capital committed. A discussion followed to clarify this distinction.

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      Discussion Participants: Mr. Jay Petkunas, Mr. Tom Connelly, and Mr. Samer Ghaddar

d. **Real Estate:** Mr. Michael Copeland, Private Markets Portfolio Manager, presented the Real Estate Portfolio update. As of December 31, 2025, the portfolio totaled $9.3 billion, representing 14.81% of the Total Fund and slightly below the 15% SAAP target. The portfolio outperformed its benchmark over the 3-, 5-, and 10-year periods and since inception, with a 1-year underperformance of 1.25%, and delivered a -3.11% absolute return over three years compared to the benchmark's -6.15%. The team plans to make new commitments of up to

$1.3 billion; which includes recycling $1.0 billion with existing managers to maintain the 15% allocation. Ms. Cyndi Thomas and Mr. Taylor Mammen of RCLO presented staff-recommended strategies emphasizing a measured risk-on approach, disciplined lifecycle allocation, demand-driven investing, and programmatic commitments with strategic partners. They noted that the mature allocation, strong partner pipeline, and ongoing portfolio optimization position the strategy to continue outperforming both the 8% target return and the ODCE benchmark in the coming years.

Mr. Jay Petkunas asked whether the carrying value used in the Vintage Portfolio reflects cost or the prior quarter's mark when determining performance and inquired whether the forthcoming housing bill and its implications for build-to-rent (BTR) are influencing the absence of a recommendation to continue BTR investments in 2026. Mr. Tom Connelly asked whether asset classes that fall on the boundary between Real Estate and Private Equity are evaluated in coordination with the Investment Management Division, and whether such investments are classified internally as real estate or private equity holdings. Discussion ensued to clarify.

Discussion Participants: Mr. Jay Petkunas, Mr. Tom Connelly, Mr. Michael Viteri, Mr. Micheal Copeland, Ms. Cyndi Thomas, and Mr. Taylor Mammen from RCLCO.

e. **Credit:** Mr. Al Alaimo, Deputy CIO, presented information and materials on the ASRS credit asset class. As of December 31, 2025, the Credit portfolio totaled $12.0 billion, representing 19.05% of the Total Fund and below the 22% SAAP target. The portfolio has delivered strong long-term absolute returns but underperformed its benchmark over the 1-, 3-, and 5-year periods. Short and medium-term underperformance is largely due to unusually strong syndicated loan market performance embedded in the prior benchmark. Although the benchmark transitioned to the MSCI Private Credit

U.S. and Western Europe peer benchmark in July 2025, the effects of earlier public market comparisons are expected to persist. Against the peer benchmark, relative underperformance is more moderate across all measured periods. The team plans to deploy $1.6 billion in new commitments to maintain the 22% target allocation in alignment with the 2025 Asset Liability Study.

Mr. Tom Connelly asked whether the recent markdowns observed in certain residual assets within ASRS-owned funds reflect a broader structural characteristic of funds in this sector—specifically, whether lower-performing assets tend to accumulate over time and are subsequently marked down to reflect economic conditions. He further inquired whether this pattern is a general feature of the asset class or a circumstance driven by changes in interest rates. Discussion ensued to clarify.

Discussion Participants: Mr. Tom Connelly and Mr. Al Alaimo

INVESTMENT COMMITTEE PAUSED DUE TO TECHNICAL ISSUE: 11:10 a.m.
INVESTMENT COMMITTEE RECONVENED TO PUBLIC SESSION: 11:18 a.m.

f. **Preliminary Total Fund Performance:** Mr. Michael Viteri, CIO, presented information and materials regarding total fund performance for the period ending February 28, 2026.

5. 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 and hypothetical stress testing.

b. **Investment Compliance:** Mr. Butler presented information and materials regarding 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.

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

Mr. Robert Butler, Investment Risk and Compliance Officer, introduced Mr. Michael Clyde, from RCLCO, and Mr. Joe Gill, from Meketa, who provided an overview of the Private Markets Investment Compliance Program, which was established at the recommendation of ASRS's external audit partner. The program includes pre-investment due diligence and ongoing monitoring conducted by internal investment staff and external consultant partners. Compliance reviews are supported through fund audits, with RCLCO performing reviews for Real Estate Separate Accounts and Meketa Investment Group conducting reviews for commingled funds and non-real estate separate accounts.

MR. RENE GUILLEN STEPPED AWAY AT 11:43 a.m.

MR. RENE GUILLEN RETURNED AT 12:19 a.m.

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

Mr. Cole Smith, Senior Public Equity Portfolio Manager, and Mr. Michael McDermott, Director, Securities Finance, BNY/Mellon, provided an overview of the securities lending program, noting that as of year-end 2025, 93% of securities on loan were collateralized with noncash securities and 7% with cash. Acceptable noncash collateral includes government and agency bonds, corporate bonds, equities, and ETFs, with required initial collateral levels of 102% for U.S. securities, 105% for non-U.S. securities, and 107–110% when receiving equity collateral. Cash collateral received is reinvested in accordance with ASRS Cash Reinvestment Guidelines, which permit U.S. Treasury and agency instruments, repurchase agreements, corporate obligations, and bank obligations.

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

Mr. Michael Viteri, CIO, provided information and materials on ASRS Private Equity Benchmark Evolution, an overview of the evolution of the Private Equity allocation and benchmark within ASRS SAAP. Since its inception in 2007, the target allocation has increased from 5% to 13%, with benchmark changes reflecting a shift from Russell 2000 to private market-based indices. Key milestones included incremental target increases in 2009, 2015, 2018, and 2025; consolidation of Private Equity into the Total Equity composite in 2018 to evaluate opportunity cost relative to public markets; reinstatement of standalone reporting in 2022; and the addition of a secondary Internal Rate of Return (IRR) benchmark in 2024 at a Trustee's request. The most recent change, effective July 1, 2025, raised the target to 13% and adopted the MSCI Private Equity North America and Western Europe Index as the primary benchmark. Mr. Samer Ghaddar, Deputy CIO, provided information and materials on Private Equity Opportunity Cost & Public Market Equivalent (PME) + Analysis, including risk premium, MSCI ACWI plus Russell, PME, and value beyond public markets.

Mr. Tom Connelly suggested that the committee consider using different benchmarks to address distinct analytical questions rather than relying on a single benchmark for multiple purposes. Mr. Paul Matson, Executive Director, responded by outlining how ASRS conceptualized benchmarking, noting that the framework incorporated three perspectives: fund level opportunity cost of the decision, implementation performance, and whether the individual General Partners (GP) or investment managers performed well given their strategy, vintage, and related factors. Discussion ensued to clarify.

Discussion Participants: Mr. Tom Connelly, Mr. Paul Matson, and Mr. Samer Ghaddar

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

Mr. Paul Matson, Executive Director, provided an outline of the steps associated with the review, which included reviewing the current ICP document, the purpose of the ICP, changes to certain portfolio benchmarks, and a review of the competitive investment management compensation landscape. He summarized the planned eight-step process: (1) initial staff review, (2) input from NEPC, (3) comparative data analysis, (4) presentation to the Investment Committee for member feedback, (5) presentation to the Director of the Department of Administration, (6) additional staff review, (7) a meeting between the Director, the Investment Committee Chair, and the Board Chair, and (8) final implementation presented to the Board.

Mr. Tom Connelly asked for additional clarity regarding the incentive compensation range of 30 to 60, specifically how this range would apply at the individual level and how it compares to peer group.

Discussion ensued to clarify.

Discussion Participants: Mr. Tom Connelly, Mr. Jay Petkunas, Mr. Paul Matson, and Mr. Michael Viteri

Motion: Mr. Connelly moved to approve the Draft Revision of the Investment Compensation Program Plan. Mr. Guillen seconded the motion.

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

Mr. Jay Petkunas - approved
Mr. Tom Connelly - approved
Mr. Rene Guillen - approved

10. Summary of Current Events.

There were no events to discuss.

11. Call to the Public.

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

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

Mr. Connelly suggested that the committee consider using different benchmarks to address distinct analytical questions rather than relying on a single benchmark for multiple purposes.

Mr. Matson appointed Mr. Viteri to look more into Mr. Connelley's request.
Discussion Participants: Mr. Tom Connelly, Mr. Paul Matson, and Mr. Michael Viteri

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

Mr. Petkunas noted that the next Investment Committee meeting is scheduled for June 25, 2026, at 9:30 a.m.

14. Adjournment of the ASRS Investment Committee Meeting.

Mr. Jay Petkunas adjourned the meeting at 12:28 p.m.
Respectfully submitted by:

Clarissa DeCoux

Investment Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM