COLORADO PERA®

Investment Stewardship Report 2026

Staying True to PERA's Mission

Data as of December 31, 2025, except where noted.

INVESTING FOR THE FUTURE: 2025 ACTIVITIES

Each pillar of Colorado PERA's investment stewardship supports our mission to provide retirement benefits to our members while ensuring the sustainability of the fund.

PROTECT

Protect members' interests by watching costs

$23.6 Million

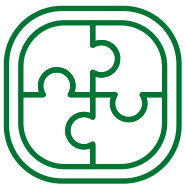
Cost of PERA internal management
Estimated cost to outsource is $124.0 million

0.33%

Cost to manage the total fund, or less than $4 of cost for every $1,000 managed

0.01%

Asset-based administrative fee for members who participate in the PERAPlus 401(k) Plan in 2026



INTEGRATE

Integrate relevant factors into PERA's investment strategy

>500

Companies and fund managers engaged on material investment factors

>70,000

Proxy proposals voted

>270

Proposals seeking ESG disclosures voted

ADVOCATE

Advocate for robust markets

17

Advocacy councils to which PERA Investments staff contributed expertise

3

Council leadership roles in advocacy of robust U.S. markets*

36

State legislative offices engaged on matters that can affect PERA and our members

EVALUATE

Evaluate exposures and recognize limitations

$94 Billion

Generated by PERA's investments over the past 30 years

9.5%

Annualized 10-year net return on PERA's investments vs. 9.1% benchmark return**

8.1%

Annualized net return since inception on PERA's investments vs. 7.6% benchmark return*

Annual figures, as of December 31, 2025, unless otherwise noted.

* In 2026, Andrew Roth, Chief Executive Officer/Executive Director is Co-Chair of the Council of Institutional Investors (CII). Amy C. McGarrity, Chief Investment Officer/Chief Operating Officer is Co-Chair of the Investor Advisory Group to the Public Company Accounting Oversight Board (PCAOB) and Secretary of the Investor Advisory Council to the U.S. Securities and Exchange Commission (SEC).

** Time-weighted performance is calculated as net of external investment management and custody fees. The total fund Benchmark Policy inception date is April 1, 2004.

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A MESSAGE FROM PERA MANAGEMENT

Stewardship is at the heart of Colorado PERA's mission to provide retirement security for our members while ensuring the financial sustainability of the fund. Serving as stewards of pension plan assets is both a significant responsibility and a tremendous privilege. The fiduciary duty we owe to PERA's membership drives every decision we make, and we take immense pride and care in fulfilling our charge. Our sole investment objective has always been to maximize long-term, risk-adjusted returns to the portfolio to sustainably pay retirement benefits to our members.

PERA's approach to investment stewardship is straightforward and firmly rooted in our fiduciary duty. In recent years, we have observed an increase in stakeholder interest around environmental, social, and governance (ESG) matters. Information about ESG matters is often politically charged, leading stakeholders to believe that such considerations are either solitary drivers of success, or mutually exclusive of financial and economic performance entirely. The reality is that ESG is merely a shorthand label to describe a broad array of considerations that may impact a company's profitability and investment returns. Corporate governance, supply chains, consumer preferences, regulations, technological advances, risk thresholds, natural resources, and labor management are examples of economic factors that can be labeled as ESG. Our responsibility is to focus on risk-adjusted returns, which means considering the interplay of various inputs that are financially relevant to each investment decision, regardless of whether they are labeled ESG or otherwise.

Each year since 2018, we have refined PERA's *Investment Stewardship Report* to meet stakeholder interests and foster informed engagements regarding our investments. We continue that effort in this year's report, which has been streamlined to augment public understanding of our investment program, while enhancing transparency about our climate-related risk considerations pursuant to state law. Although our report has changed over time, the principles guiding our investment stewardship remain the same. We protect members' interests through cost-consciousness, we integrate material factors into our investment decisions, we advocate for healthy markets, and we evaluate our portfolio attributes on an ongoing basis.

We believe these practices have positioned PERA to withstand volatility over the long run, supporting our mission and funding goals. Over the past ten years, the PERA Combined Investment Fund has earned a 9.5% annualized return (net of fees), outperforming the benchmark by 40 basis points over the same period. Over the past 30 years, our investments have generated over $94 billion in income, funding nearly 60% of every dollar paid to plan beneficiaries and demonstrating the vital role of our responsible asset management.*

We invite you to explore this report and additional resources on our website to learn more about how we stay true to PERA's mission through sound investment stewardship.

Sincerely,

Andrew Roth
Chief Executive Officer/Executive Director

Amy C. McGarrity
Chief Investment Officer/Chief Operating Officer

Andrew Roth
Chief Executive Officer/
Executive Director

Amy C. McGarrity
Chief Investment Officer/
Chief Operating Officer

* As of December 31, 2025.

INTRODUCTION

Stewardship is at the heart of Colorado PERA's mission.

Stewardship is at the heart of PERA's mission to provide retirement security for our members while ensuring the sustainability of the fund. As stewards of pension plan assets, we manage approximately $75 billion on behalf of more than 730,000 members and benefit recipients.[1] We take our fiduciary duty seriously as we seek to maximize long-term, risk-adjusted returns to the portfolio. This report demonstrates how we exercise investment stewardship with prudence and care for the ultimate benefit of the members we serve.

PERA'S INVESTMENT STEWARDSHIP PHILOSOPHY

PERA uses the term "stewardship" to describe our financially sustainable investing philosophy.

PERA believes serving as effective stewards of plan assets depends on diligent consideration of risk and opportunity factors that are relevant to our investment decisions as fiduciaries.

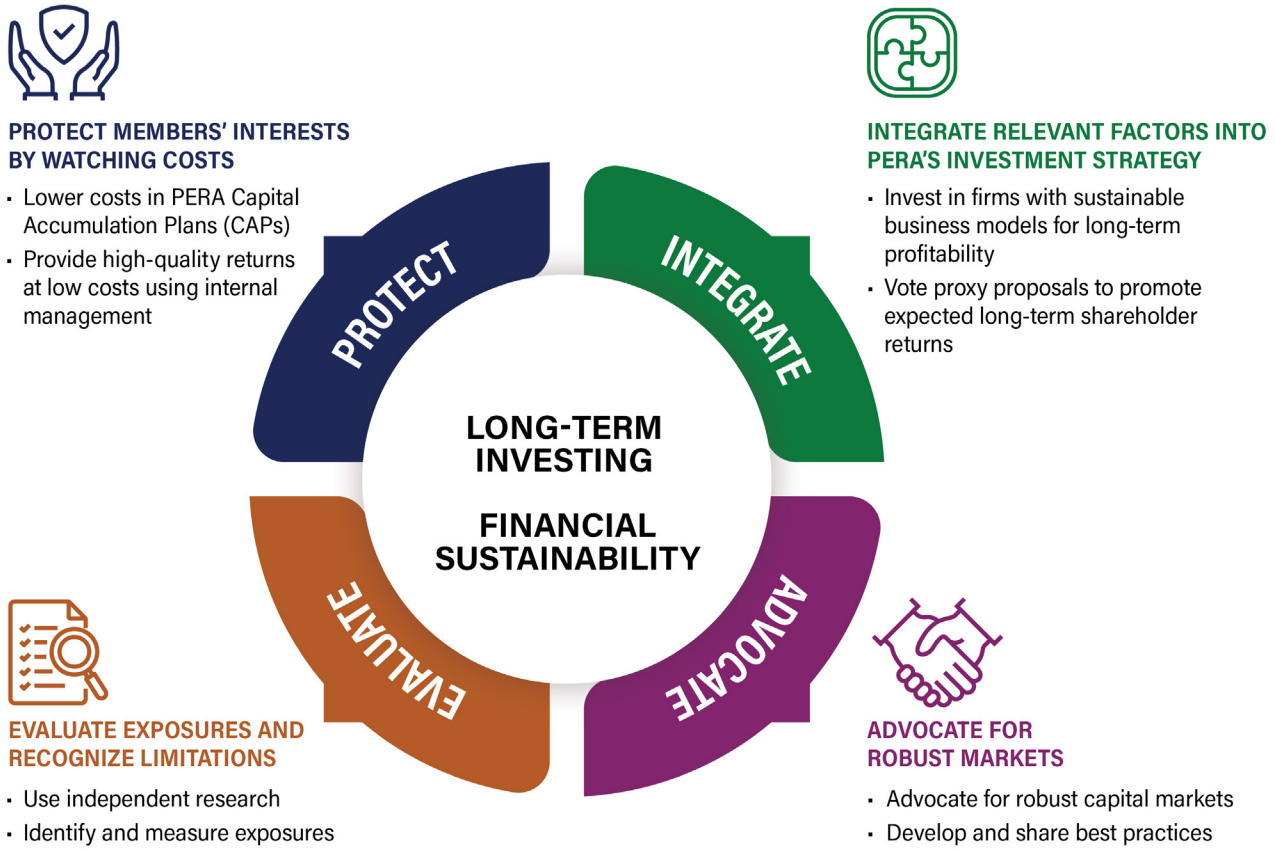
That means we may consider financially relevant factors that can be labeled within an environmental, social, and governance (ESG) framework, but we will not limit our investment decisions to only those factors. Instead, we recognize that such practices are pieces in the mosaic of information necessary to determine an investment's value. Ultimately, we believe the best investments for long-term financial stability are found in quality companies and partnerships that exercise sound management of all aspects of business to generate profits and attractive investment returns.

PERA'S INVESTMENT STEWARDSHIP APPROACH

We actively serve as good stewards of plan assets for the benefit of PERA members.

PERA's approach to pursuing financial stability is guided by four practices for sound investment stewardship:

- **Protect:** We protect our members' interests through cost-conscious investment management.
- **Integrate:** We integrate financially relevant factors into our investment decisions.
- **Advocate:** We advocate for robust capital markets and business practices.
- **Evaluate:** We evaluate various exposures within our portfolios on an ongoing basis.



PROTECT

Higher quality, low-cost services create real value in the retirement funds we administer for PERA members.

PERA aims to earn risk-adjusted returns in an efficient, cost-effective manner without sacrificing our focus on quality investments. We emphasize professional internal management of the majority of our assets, while selectively partnering with external experts where those relationships add value. We advocate for cost transparency where we can and seek the lowest possible costs to preserve risk-adjusted returns.

Low-Cost Internal Management

PERA manages the majority of the Combined Investment Fund (CIF) internally at significant cost savings relative to all-external management. Our team of more than 50 investment experts is highly skilled with extensive investment industry experience.

Each member of the team works diligently to maximize fund value through sophisticated investment strategies while minimizing costs. Whether selecting individual securities, properties, or funds for inclusion in the portfolio, PERA's investors are disciplined in serving the long-term financial interest of the PERA membership.

PERA's internal investors manage the entire Fixed Income portfolio and 73.6% of the Global Equity portfolio. As PERA's assets have grown, the cost advantage of using in-house investment professionals has also increased. It would cost an estimated $124.0 million to outsource the assets PERA manages internally for $23.6 million.

PERA's internal investors also manage 57.4% of the Real Estate portfolio in a direct investment structure, resulting in lower costs. The remainder of the Real Estate portfolio is externally managed, as are the Private Equity and Alternatives portfolios.

PERA's private market investment teams deploy their expertise to select high-quality investment funds managed by external partners. The complexity of private asset strategies necessitates deeper resources and specialized experience to transform underlying assets and generate returns expected to outperform public markets. Whenever possible, we negotiate with our partners for lower management fees. In every partnership, we hold our managers to exacting standards and select only those who we believe will add the greatest value at fair cost on a risk-adjusted basis.

Internal Management Adds Value to the Fund

19 years — Average industry experience among internal investment experts.

62.0% — Of total fund managed in-house at a cost of ~0.05% of those assets.

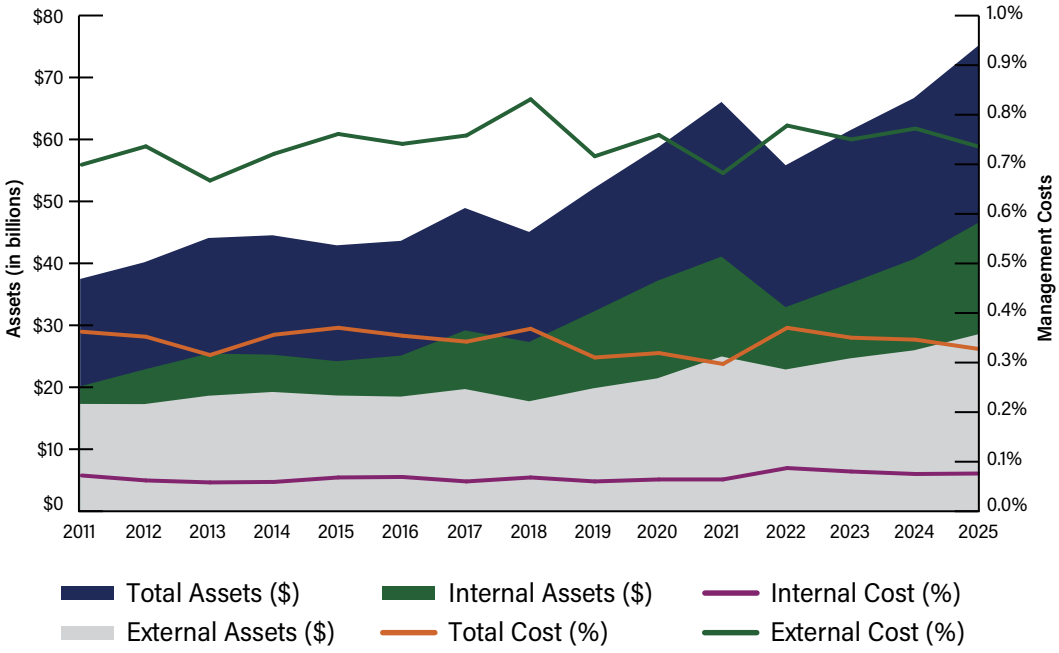
What does this mean for PERA members?

Each person on PERA's investment staff is an expert committed to serving our members' financial longevity. We leverage that expertise to reduce the need to use outside investment managers, which saves money while adding value for our members.

Watch our video to learn more about PERA's portfolio management from members of the team: Investing in Your Future: How PERA Grows Member Benefits

Lowering Aggregate Investment Management Fees

As total fund assets have grown over the years, we have kept investment management costs consistently low by managing the majority of our assets internally, helping to offset the costs of external asset management. This enables PERA to provide higher quality returns at lower overall costs.



See the "Protect" video for a snapshot of PERA's investment cost stewardship at Stewardship Videos | Colorado PERA.

Oversight and Transparency of Private Market Fees

While private limited partnership agreements restrict investors from fully disclosing most fee-related information to the public, PERA staff, through confidentiality clauses, has access to this fund-level detail. Through our fee validation program, PERA validates private market management fees and carried interest for a sample of our investments. This program is governed and reviewed by an internal Governance Committee consisting of strategically aligned senior department leaders under the sponsorship of the Chief Investment Officer. PERA also reports private market fees to the Board of Trustees annually in closed session.

PERA strives to increase transparency within our contractual limits. We utilize the Institutional Limited Partner Association's (ILPA) Reporting Template for our records whenever possible. ILPA aims to standardize fees, expenses, and carried interest disclosures within private asset partnerships.[2] In joining our peers in adopting the ILPA Template, PERA endeavors to bring forth mainstream transparencies that address potential risks and promote efficiencies within private markets.

What does this mean for PERA members?

PERA staff work diligently to ensure investment management fees are fair, transparent, and compliant with terms in our external manager contracts.

Reducing Fees for PERA's Capital Accumulation Plans (CAPs)

PERA recognizes the value of saving for retirement, and we make the process easy and cost-efficient for our members. In addition to the Defined Benefit (DB) pension plan, all PERA members have the option to invest for their own retirement through the Voluntary Investment Program (PERAPlus 401(k) Plan). Members of affiliated employers also have the option to participate in the Deferred Compensation Plan (PERAPlus 457 Plan). Additionally, some members are eligible to forgo participation in the DB pension plan completely in favor of sole participation in the Defined Contribution Retirement Plan (DC Plan). The PERAPlus 401(k) Plan, the PERAPlus 457 Plan, and the DC Plan are collectively called the Capital Accumulation Plans (CAPs). These plans are separate from the DB pension plan and provide the opportunity for PERA members to self-direct their own money across a wide variety of investment options to help meet their individual retirement savings goals.

What does this mean for PERA members?

In addition to the pension plan, PERA offers low-cost options for members to invest their own retirement savings as they choose.

As of December 31, 2025, the CAPs offer 17 PERAdvantage funds and a self-directed brokerage account (SDBA). The PERAdvantage funds range from professionally managed target retirement date funds to funds specializing in specific asset classes and strategies. The SDBA option allows a participant to construct and manage a portfolio with their choice of publicly traded securities and funds. Additionally, participants have access to two guaranteed income annuity choices. Information on these options can be obtained on coperaplus.org.

Plan Fees

The Board has prioritized the continuing reduction of CAP fees, and we will regularly evaluate additional potential cost savings that would benefit participants. We have reduced management fees through increased internal management of CAP assets and through negotiations with external managers. Since 2011, the all-in costs of the PERAPlus 401(k) Plan have decreased by 85.0%, making PERA's fees among the lowest in the industry.[3] Low fees mean more money compounds over time, yielding significantly greater returns over the long term for PERA members. Lower investment costs keep more money in retirement savings accounts, empowering participating members to retire with greater peace of mind.

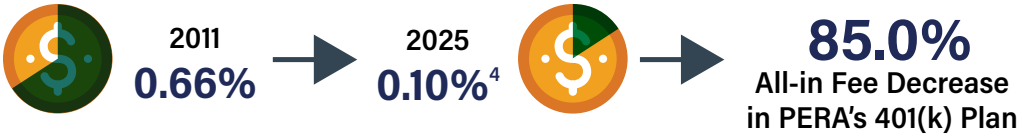
Participants pay Plan administrative and investment management fees. Plan administrative fees cover the costs of recordkeeping, custodial services, consulting, and internal PERA administrative expenses. Investment management fees are charged by the fund managers for the CAP investment options to cover the costs of managing their respective funds.

All participants pay an asset-based management fee of up to 0.03%. That means for every $1,000 of assets in the account, the participant pays up to $0.30. (Note: The asset-based fee of 0.03% was waived in 2025 for all CAPs.) For 2026, the asset-based fee is 0.01% for the 401(k) Plan, 0.02% for the 457 Plan, and waived for the DC Plan. Participants also pay a $1.00 flat monthly fee for each CAP, effective in 2026.

There is a $50 flat fee per year to participate in the SDBA, and participants must maintain a minimum balance of $500 in the PERAdvantage Funds.

For more information about the CAPs, including fund summaries, fact sheets, and performance, please visit: Defined Contribution (DC) Plan Investments | Colorado PERA.

Lower Fees=More Savings



INTEGRATE

PERA considers relevant economic and business factors in our investment decisions with a focus on long-term financial outcomes in order to pay retirement benefits to our members.

PERA invests to provide retirement income for our members in perpetuity. This objective requires us to carefully consider long-term asset allocation and to factor financially relevant information into our investment and proxy voting decisions. Where environmental, social, or governance matters are expected to materially affect a firm's financial performance, we may integrate them into our decisions as pieces of the mosaic of information we consider. This integrative method has always been PERA's approach to seeking long-term financial sustainability of the fund for the ultimate benefit of our members.

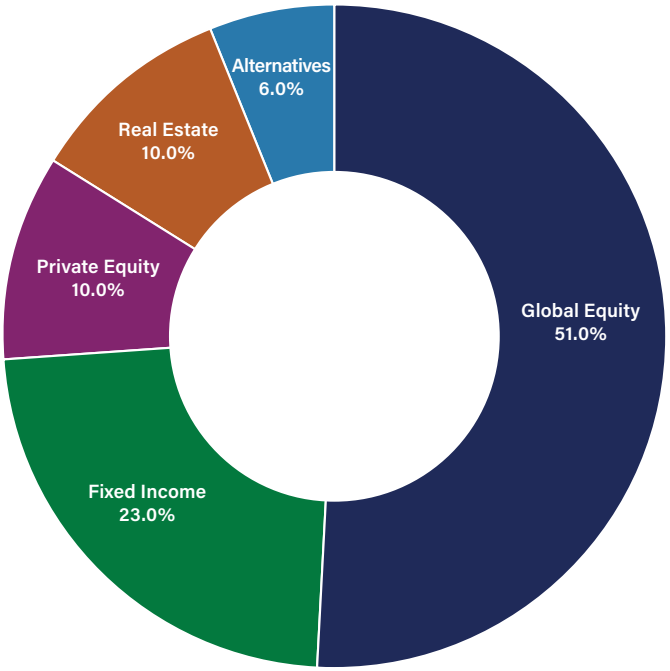
A Portfolio Built for Endurance

As PERA's *Statement of Investment Policy* states, "The function of PERA is to provide present and future retirement or survivor benefits for its members. This objective requires the prudent assumption of investment risk in seeking to maximize long-term investment returns while incorporating the fund's liability requirements."[5] Meeting perpetual financial obligations requires a broad investable universe and the ability to seize opportunities in different markets, unlock diversifying attributes, and manage downside risk to the portfolio.

The PERA Board of Trustees (PERA Board), in consultation with investment and actuarial experts, conducts periodic studies of PERA's assets and liabilities to ensure the CIF portfolio is well diversified to withstand market volatility and meet PERA's long-term funding goals. In 2024, the PERA Board completed the most recent asset/liability study and adopted new strategic asset allocation targets effective in 2025. The incremental changes reduced the amount allocated to Global Equity and increased the amount allocated to Private Equity and Real Estate. These changes are intended to position the portfolio to slightly reduce risk and increase long-term return potential.

Long-Term Target Allocation

The foundation of PERA's investment success is a portfolio of diverse assets designed to withstand market fluctuations over a long time horizon. Each investment category in the portfolio is carefully selected to maximize anticipated returns while managing investment risks to the CIF.*



Asset Class	Expected 30-Year Return**	Key Attributes	Market Transparency***
Global Equity	7.4%	Growth, liquidity, volatility	Public/transparent
Fixed Income	5.0%	Diversification, liquidity, stability	Public/transparent
Private Equity	10.1%	Illiquidity, return enhancement	Private/opaque
Real Estate	6.5%	Downside protection, illiquidity	Private/opaque
Alternatives	7.6%	Illiquidity, special opportunity	Mixed

* The Board conducts an asset/liability study every three to five years and finalized its most recent asset/liability study in 2024, which was prepared by Aon Investments USA Inc. (Aon). This study resulted in modest changes to the strategic asset allocation policy effective January 1, 2025, and will guide long-term performance of the diversified portfolio while balancing expected return and risk.

** Expected 30-year returns were as of Q3 2023, were provided by the Board's external consultant (Aon), and were used in the 2024 asset/liability study.

*** Investors have varying degrees of transparency into the operational and financial results of public and private companies. Publicly listed companies are required to disclose information about their operational and financial results that may not be required of privately owned companies. This leads to greater informational efficiency for asset valuations in public markets than in private markets.

Integrating Relevant Factors into PERA's Investment Decisions

PERA is a global investor with exposure to diverse industries, properties, and geographic regions. We employ sophisticated strategies in public and private markets to meet our financial return objectives while managing risk to the portfolio.

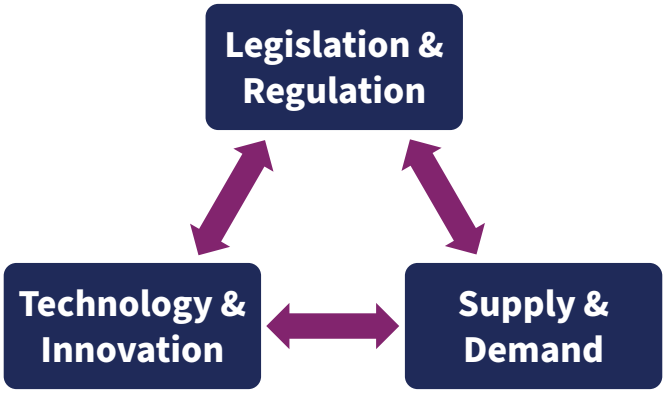
In each portfolio strategy, PERA's investors consider a vast array of economic and business-specific elements when taking an investment action. The precise factors considered may differ between investment choices and through time as economic forces present new risks and opportunities for investors to consider. Therefore, what is financially relevant to one investment decision may not be financially relevant to another and its relevance can change over months, years, and even decades.

This is what is referred to as "dynamic materiality."[6] The financial materiality of a particular piece of information can change as economic conditions shift. The three primary drivers of economic activity can be categorized as legislative and regulatory policymaking, technological advancement and innovation, and supply and demand functions.

What does this mean for PERA members?

We invest with one goal—to pay benefits to our members for the duration of their retirement and to their beneficiaries thereafter, as applicable.

We don't drive markets. We anticipate and respond to markets.



See the "Integrate" video for a snapshot of how PERA integrates material factors in our decisions at Stewardship Videos | Colorado PERA.

The ways in which companies identify and respond to these three primary market drivers can set them apart among their peers. As technology advances, supply and demand may change, and regulation may evolve. This can create new risks and opportunities in the market, prompting businesses to respond to stay competitive and generate returns for investors.

When evaluating how companies and managers are responding to economic risks and opportunities, any number of factors may come into play. Risks can be systemic or idiosyncratic, short-term or long-term, and can vary in severity and likelihood of impact. Investors expect to be compensated for taking on risk, understanding that higher risk often correlates to higher returns. Rather than mitigate risk to the portfolio, investors manage risk to suit their portfolio objectives. Therefore, it is important to understand which risks are, or are not, pertinent to a decision at a specific point in time given the full scope of factors at play. As risk factors recombine with different economic influences through time, new investment opportunities are presented.

No single risk factor dominates an investment decision.

Risks are not without opportunity, and investors are expected to be compensated for taking on risk.

Financially Focused Engagements

PERA investment staff actively engages with management teams of public corporations and private funds in which we invest. From initial assessments and throughout the investment period, we think critically about how these firms are navigating market risks and pursuing opportunities that can lead to higher investment returns over the long run.

In our engagements, we seek to understand how companies are responding to economic conditions. We want to know how they are managing risks and opportunities to their business so we can make informed investment decisions that advance our mission to provide retirement security for our members.

In 2025, PERA staff engaged with more than 500 public companies and private fund managers in which we invest.

Topics on Which PERA Engaged Public Companies and Private Investment Partners in 2025

Changes in the economy impact business and investment decisions. Regardless of how economic focus or labels change over time, we integrate financially relevant information into our investment decisions.

Engagement Topic	Economic Focus	Other Potential Label
Artificial intelligence	Data center development, oversight, software investments, risks, revenue potential	Environmental, Social, Governance
Costs, fees, and pricing	Tariffs, inflation, supply chain impacts, costs of capital	Governance
Fund structure	Fund launches or renewals, redemptions, fees, governance	Governance
Credit quality	Transparency, compliance, leverage targets, collateral assignments	Governance
Capital allocation	Cash flows and deployment, capital expenditures	Governance
Labor	Changes to key personnel, firm culture, staffing and market trends	Social

Engagement Questions

In our actively managed public equity portfolios, PERA is focused on understanding a company's fundamental stock value and competitive market advantages. Each company in PERA's public market portfolio is unique, and PERA's engagements are tailored to each company and evolve through time as companies respond to changing market conditions. In 2025, PERA staff asked questions such as:

- How will the company and shareholders benefit from AI demand growth?
- How does the company plan to handle costs and pricing due to tariffs?
- How will the company's products and operations change as a result of AI disruptions?

PERA's Approach to ESG

PERA takes an integrative approach in our fundamental analysis, considering aspects of business and markets that can have a financial impact on our investments over the long term. This may include factors that can be labeled under the ESG convention.

Regardless of how factors we consider are labeled, we prioritize financial value, rather than personal values, in our investment and proxy voting decisions.

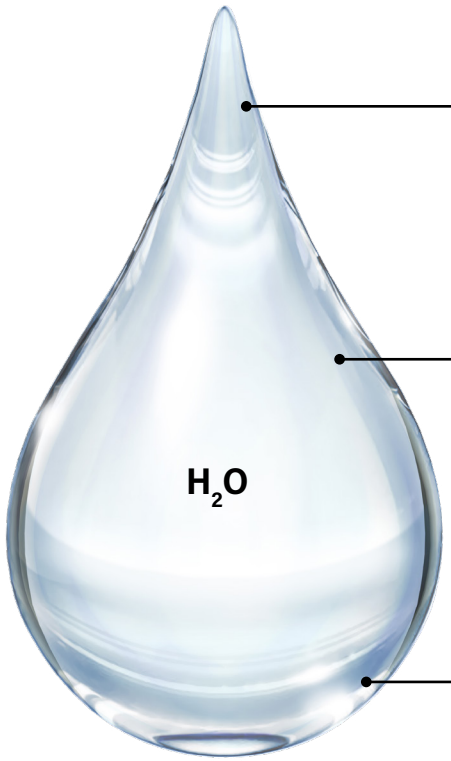
What is ESG?

ESG is an acronym for environmental, social, and governance factors which investors may consider as part of their investment decision framework. Underlying each of these motifs are countless matters that may financially impact companies and their investors, such as executive compensation, board composition, auditor independence, and risks and opportunities related to the workforce or natural resource management.

ESG IS...	ESG IS NOT...
► A shorthand labeling convention to describe various business and economic considerations ► About managing different forms of capital for long-term tenability and profitability	► The only way to label the same aspects of business ► A political affiliation or social movement

Labeling Business Factors as ESG

Consider a soft drink company. Water is a critical input to making soft drinks. To remain competitive in the beverage industry, the manufacturer would need to manage this natural resource well (environmental), avoid infringement on community rights and access to clean water (social), and be able to adapt their business strategy and operations as supply, demand, public policy, and technology change through time (governance). Whether it's labeled as "H2O," "ESG," or "LMNOP," water and its management may be a financially material factor for businesses and investors to consider.



E (Natural Capital)

A beverage company would need to manage this natural resource well because it is a significant supply input into its core business.

S (Human Capital)

It would be imprudent for a beverage company to infringe on access to clean water in the communities in which it operates because that would likely lead to supply restrictions, boycotts, and fines.

G (Financial Capital)

Regulatory compliance, clean water technology, and shifting consumer demand can all influence how a beverage company manages its water use in core production.

PERA Values Financial Sustainability First and Foremost

While many investors may tailor their portfolios to suit their personal values, PERA invests on behalf of more than 730,000 individuals who rely on our professional investment expertise to ensure their retirement security. As such, we do not invest to suit the personal beliefs of any individual entity. An investment strategy based on personal value systems may be impossible to implement in a way that reflects all our members' individual beliefs. Furthermore, such a strategy would be imprudent in fulfilling our fiduciary responsibility due to high implementation costs and imposed limits on PERA's ability to effectively seek the best risk-adjusted returns. Instead of investing based on personal values, PERA invests according to strong financial diligence.

✓ Value-based

- Integration Approach
- Prioritizes Financial Outcomes

× Values-based

- Divestment or Impact Approach
- Prioritizes Political, Social, or Environmental Outcomes

Personal Values-Based Investing

Both divestment and impact investing are personal, values-based approaches to screening investments. The aim of divestment is to exclude firms from the portfolio that do not adhere to an investor's personal values. The aim of impact investing is to include only firms that adhere to an investor's personal values. As such, the subject of divestment or impact investing may have more emotional or political benefits than financial implications for individual investors and the targeted companies. Furthermore, these screening strategies may be intended to withhold capital from, or supply capital to, specific types of businesses in an effort to impact environmental or social change. However, these strategies may not result in the desired impacts due to the complexities of the real economy.

NEGATIVE SCREENING

A popular example of negative screening is divestment. In the context of ESG investing, divestment refers to selling and abstaining from investments in firms or products that are deemed adverse to an overriding philosophical ideal, based on one or more ESG factors.

POSITIVE SCREENING

A popular example of positive screening is impact investing. In the context of ESG investing, impact investing refers to investing in firms or products that are deemed to align with an overriding philosophical ideal, based on one or more ESG factors.

PERA's Divestment Policy

The PERA Board of Trustees explains the issue of divestment in their *Statement on Divestment*, which begins:

"The world faces many critical issues today including genocide, pollution, terrorism, human and animal rights violations, and public health crises. As individual Americans, we enjoy the political and philosophical freedom to speak out against atrocities and join in those causes which are aligned with our personal beliefs. As an organization however, PERA does not have the authority to determine social policy, foreign policy, economic policy, or any other policy beyond the operation of the retirement system. PERA serves the singular purpose of ensuring the retirement security of Colorado's current and former public servants. Because global issues are difficult to prioritize and proper recourse falls beyond the duty of the retirement system, PERA will implement the divestment mandates passed by the Colorado General Assembly but would recommend the legislature thoughtfully consider such proposals with caution and fiduciary care."[7]

The *Statement on Divestment* provides further discussion on PERA's fiduciary duty, divestment costs, as well as the "slippery slope" perspective of divestment and its potential limitations. PERA believes there are approaches beyond the scope of impact investing or divestment which may better help us achieve our investment objectives and long-term financial sustainability.

Did You Know?

PERA offers our members different options to direct their own retirement savings in alignment with their personal, environmental, and social values through the PERAPlus 401(k) Plan, PERAPlus 457 Plan, and Defined Contribution Retirement Plan. Members who elect to participate in these plans can invest in funds managed by investment experts who have identified companies as ESG leaders, or invest in individual securities of their own choosing based on their individual investment philosophies and objectives.

PERAdvantage Socially Responsible Investment (SRI) Fund

The PERAdvantage SRI Fund seeks to produce a return above the index by investing in a portfolio of global equities and investment-grade fixed income securities. The equity portion seeks to replicate the return of the MSCI ACWI ESG Focus Index. The fixed income portion invests in U.S. dollar denominated securities that demonstrate environmental, social, and governance (ESG) leadership and direct and measurable environmental and social impact.

Self-Directed Brokerage Account

Members who would prefer to make their own portfolio investment decisions can do so through the Self-Directed Brokerage Account (SDBA). This option allows participating members to invest their personal retirement contributions into thousands of publicly traded securities (e.g., stocks, bonds, and exchange traded funds) and mutual funds of their choosing through an individual brokerage account. Each participant assumes responsibility for their selection of investments and may include those which align with their own personal values.

PERA Chooses Engagement Over Divestment

Proxy voting is a powerful tool for investors like PERA, which choose engagement over divestment in exercising responsible asset management to meet their investment objectives.

ENGAGEMENT

As the Board's *Statement on Divestment* states, PERA serves the singular purpose of ensuring the retirement security of Colorado's current and former public servants. It would be virtually impossible to invest in a way that suits each member's individual social or political beliefs.

In order to provide retirement benefits, PERA must pursue the best expected risk-adjusted returns in the market. One of the most fundamental ways to maximize returns while reducing risk is to diversify the portfolio across geographical regions, industries, and companies. One of the reasons the Board opposes divestment is that it can be a slippery slope that reduces diversification.

PERA does not make investment decisions based on any one singular factor. Securities prices are dependent upon many factors, including economic, political, environmental, industry, and company-specific risks and opportunities. Companies in our active funds are expected to be going concerns, meaning they are expected to adapt their operations to remain competitive in the market as economic factors change. For example, energy companies may have lines of business in oil and gas, as well as in innovative renewable energy sources to keep pace with changing energy needs.

The Board's *Statement on Divestment* also describes that PERA opposes divestment because it can be costly to identify and execute divestment transactions and find other appropriate investment opportunities with similar risk-return profiles. The target company would not incur those costs to divest—PERA would.

Instead of divestment, PERA chooses engagement. We engage directly with the companies in which we actively invest to understand their business opportunities and risks, and encourage profitable practices. We also exercise our legal shareholder rights to vote on important matters that can shape the company's practices and profitability.

Meeting with the company and voting on corporate ballot items enables us to engage the company's management, signal best practices in the market, and influence corporate behavior. These changes don't happen overnight. They happen over months, years, and even decades. As long-term shareholders, PERA retains our seat at the table to advocate for practices that add financial value for the ultimate benefit of our members.

DIVESTMENT

Some investors may decide to sell their holdings in companies or industries because they believe the company's business activities are misaligned with their own social or political beliefs.

Tobacco, fossil fuels, sugar, renewable energy, and guns are examples of the types of businesses that divestors may not like. They may choose to divest from certain companies based on thresholds like the percentage of revenue derived from such activities, or from any company doing any business that ties back to these activities. For example, they may extend divestment to include grocery stores that sell soft drinks or propane.

A divestor may also sell their stock because they think a company will go out of business because it is operating in an industry the divestor thinks will not survive. For example, a divestor may sell their stock in an energy company because they worry the stock will lose value as interest in renewable energy sources grows.

When an investor sells a stock, there is another investor on the other side of the transaction buying that stock. The company is not part of the transaction, and thus there is no financial impact on the company (i.e., the cash flows of buying and selling a stock do not involve the company).

When the divestor no longer owns shares, they lose the right to vote on important company matters that come to shareholders for approval. Such matters may include those that could address the divestor's concerns, such as requiring the company to report on how it is strategizing to remain competitive in the transition to a lower carbon economy.

While stock changes hands in the market, the company continues to be attentive to its current shareholders. Because the divestor no longer holds shares, they don't have a seat at the table, so to speak. Their seat may even have been taken by an investor who likes all the things the divestor didn't, and who encourages the company to continue doing them.

Integrating Relevant Factors into PERA's Proxy Voting Decisions

The PERA Board's position is that proxy voting is a significant right and responsibility to be exercised prudently under the fiduciary duty we owe to PERA members, retirees, and their beneficiaries. PERA maintains that proxy votes should be part of a thoughtful and disciplined investment process focused on financial materiality and effective governance. The goal of PERA's proxy voting activities is to encourage the alignment of corporate interests with long-term shareholder interests. These activities are governed by the Board through its Proxy Voting Policy (Policy), which was established in 1979 and is periodically re-evaluated and updated through the Board's Investment Committee in order to enhance applicability as markets and regulations evolve. The Policy guides staff in formulating vote decisions acts as a public statement on why and how we make voting decisions, and can guide conversations with companies, peers, and stakeholders around PERA's stance on a variety of issues that can affect financial value.

What does this mean for PERA members?

PERA practices responsible share ownership by exercising our right to vote on important matters that can affect a public company's long-term profitability and the investments we make on behalf of our members.

What is Proxy Voting?

Proxy voting is a formal mechanism through which corporations and their shareholders communicate about a broad range of issues and practices that can affect a company's long-term sustainability and investment returns. It is one of the ways shareholders exercise engaged ownership. Voting matters can be put to ballot by the company's board or its shareholders, and cover important decisions such as approving the members of the board of directors, mergers, acquisitions, and types of disclosures made to shareholders. Shareholders can vote in person at a corporation's annual general meeting (AGM), or cast their votes electronically in advance of the AGM, which is called voting by proxy, or proxy voting.

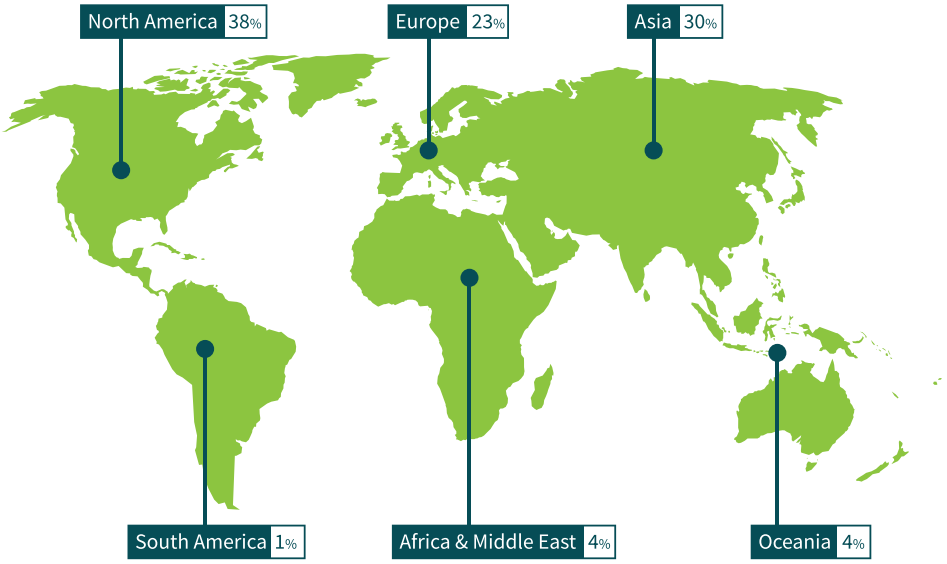
PERA'S 2025 Proxy Voting Activity[8]

PERA voted more than 70,000 proposals filed by corporate management and shareholder proponents in 2025.

6,264
Shareholder Meetings Voted

70,204
Individual Proposals Voted

60
Global Markets Voted



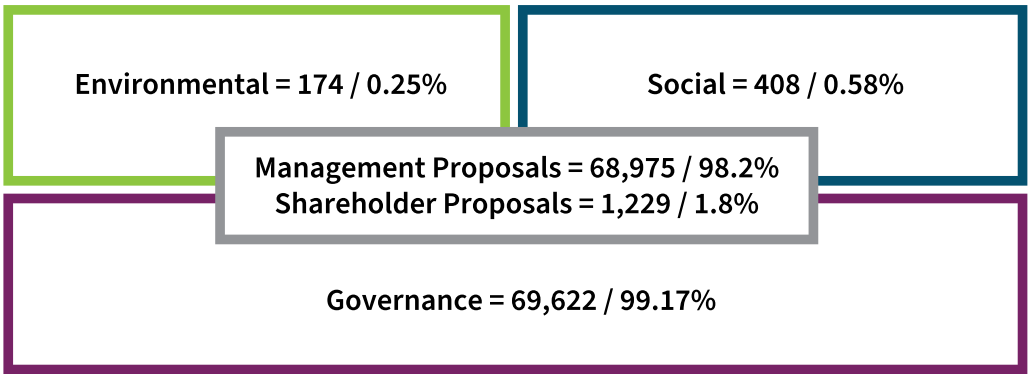
To find out how PERA voted at a particular company meeting, search and explore PERA's votes on Colorado PERA Proxy Voting Record, which is updated with our vote following each meeting.

PERA's Proxy Voting Activity

The following pages present PERA's voting record through various lenses to demonstrate the types of proposals that come to ballot and how staff applies the PERA Board's *Proxy Voting Policy.* Ballot measures can be categorized in a number of ways. Each proposal that comes to ballot, whether filed by corporate management or shareholders, can be labeled as pertaining to the environment, society, and/or corporate governance. Although simplified labels may be used to describe various proposal themes, a company's management of the underlying matters can be highly complex and interdependent, with varying degrees of potential financial impact. When analyzing the provisions and merits of proposals, shareholders seek to understand these overlapping considerations within the broader context of the company's operations, oversight, and financial performance.

PERA's 2025 Proxy Votes by Category

PERA voted over 70,000 proposals filed by corporate management and shareholder proponents in 2025.



Of the 70,204 proposals PERA voted in 2025, 99.17% were related to governance matters such as director elections, executive compensation, audit and financials, capital management, and changes to company statutes. The majority of governance-related proposals come from management. However, shareholders continue to target companies that are perceived to lack governance practices widely regarded by academic researchers and investors, including PERA, to be most supportive of shareholder value generation. These include shareholder proposals regarding board independence, separation of CEO and Board Chair positions, and the elimination of multi-class share structures that give disproportionate rights to some shareholders over others.

While the majority of shareholder proposals relate to governance matters, we continue to see shifts regarding environmental and social matters, including how these issues are overseen at the board level. From 2024 to 2025, there was a 20% decrease in the number of environmental shareholder proposals and a 41% increase in the number of social shareholder proposals voted by PERA. Environmental- and social-related matters comprised approximately 0.83% of total proposals voted in 2025, up from 0.72% in 2024.

Breakdown of Proposals Voted by PERA in 2025

Governance-related proposals continue to represent the majority of items reaching shareholder ballots and remain the primary vehicle for shareholder action.

Management Proposals

PERA supports proposals that uphold best practices in corporate governance, and will hold director nominees accountable by voting against those who have not demonstrated alignment with long-term shareholder interests. One of the most effective ways for long-term shareholders to influence corporate behavior through proxy signals and engagement is by voting against, or withholding votes from, director nominees who do not act in the best interest of shareholders.

PERA's votes on management-sponsored proposals are a signal to companies to act in the best interest of long-term shareholders.

VOTES ON MANAGEMENT-SPONSORED PROPOSALS

88%
Support for Director Nominees
(32,902 total proposals)

94%
Support for Auditor Ratification
(1,837 total proposals)

- The auditor's role is crucial in ensuring the integrity and transparency of the information necessary for protecting shareholder value.

84%
Support for Executive Compensation
(1,804 total proposals)

- Compensation packages should be aligned with long-term performance and business strategy, and allow for an annual say-on-pay vote.

97%
Support for Mergers and Acquisitions
(240 total proposals)

- Each proposal regarding a merger and/or acquisition is unique, with a variety of discrete factors and potential implications to be considered in evaluating each deal brought to shareholder vote.

73%
Support for Say-on-Climate
(26 total proposals)

- PERA will generally support well-targeted proposals for enhanced disclosure of how companies are assessing and managing financially material climate-related risks and opportunities.

HOLDING BOARDS ACCOUNTABLE TO SHAREHOLDER INTERESTS

PERA focuses on governance quality and effectiveness, which are expected to deliver sustainable long-term returns to shareholders.

- PERA's policy favors board independence, refreshment, and responsiveness to shareholders.
- PERA holds boards accountable for appropriate oversight of material governance, social, and environmental matters by voting *Against* or *Abstain* on director nominees charged with committee oversight.
- PERA expects companies to disclose a board skills matrix with narrative explaining how the board's collective skills support effective oversight and long-term shareholder value.

PERA voted *against/abstain* on 4,084 director nominees in 2025 due to the following:

- PERA is voting *Against* the executive compensation proposal and the nominee served on the committee that designed the pay package.
  Against Nominee
- PERA is *Against* auditor ratification due to non-audit fees exceeding a quarter of all fees paid to the auditor.
  Against Audit Committee Chair
- The board is not sufficiently independent and the nominee has served on the Nominating Committee.
  Against Nominee
- The board lacks sufficient competency, diversity, or timely refreshment and the nominee serves as Nominating Committee Chair.
  Against Nominee
- The nominee serves on too many boards, potentially weakening effective oversight.
  Against Nominee
- The board does not disclose a board skills matrix in their proxy statement.
  Against Nominee
- The nominee has a poor record of attendance at board meetings.
  Against Nominee

Shareholder Proposals

PERA supports shareholder proposals that are well-targeted, demonstrate financial materiality and expected benefit to long-term value, and which do not overstep into management decisions that should be left to corporate boards and management.

Many shareholder proposals request greater disclosure from companies on how they manage key issues such as governance, climate and natural capital, and company impacts on people, which may be financially material. These topics are of concern to active investors, because their analyses and valuations depend on adequate disclosures from companies about their risk and opportunity management.

Shareholder Proposal Voting

PERA supported >30% of shareholder proposals that came to ballot in 2025.

	Number of Proposals	Percent Support
Environmental		
Climate Lobbying	5	0%
Greenhouse Gas Emissions	19	26%
Phase Out of Nuclear Power	12	0%
Other Environmental Issues	53	2%
Climate Change and Sustainable Strategies	57	4%
Social		
Diversity Reporting	20	35%
Human Capital Management	44	25%
Report on Compliance with International Human Rights	23	22%
Other Social Issues	100	16%
Political Spending/Lobbying	24	75%
Governance		
Board Composition	31	26%
Elimination of Supermajority Vote	32	72%
Election or Removal of Directors	31	10%
Independent Board Chair/Separation of Chair and CEO	31	90%
Right to Call a Special Meeting	65	83%
Race and/or Gender Pay Equity Report	5	0%
Other Governance Issues	677	28%

PERA's 2025 Proxy Votes by ESG Label

A company's management of environmental, social, and governance matters can be nuanced, complex, and interrelated. This may present overlapping considerations for shareholders when casting their votes.

ENVIRONMENTAL

Activities or products that may affect business and the natural environment

- Energy efficiency
- Air pollution
- Water scarcity
- Carbon emissions

174 Votes

- **4** *Formation of Environmental/ Social Committee of the Board* ▲
- **5** *Climate Lobbying* ★
- **19** *Report on Greenhouse Gas Emissions* ▲ ●
- **39** *"Say-on-Climate"*
- **52** *Climate Change and Sustainability Strategies* ▲ ★
- **55** *Other Environmental* ▲

SOCIAL

Activities or products that may affect business and society

- Equality
- Political influence
- Community
- Health and safety

408 Votes

- **17** *Diversity Reporting* ●
- **24** *Political Spending/Lobbying* ▲ ★
- **44** *Human Capital Management* ▲ ★
- **323** *Other Social* ▲

GOVERNANCE

Activities that may affect the success of the firm

- Board independence
- Stakeholder alignment
- Executive compensation
- Management oversight

69,622 Votes

- **1,659** *Meeting Administration*
- **2,539** *Changes to Company Statutes*
- **4,678** *Capital Management (Debt & Equity)*
- **8,555** *Compensation* ▲ ●
- **9,518** *Other Governance* ▲
- **9,771** *Audit/Financial* ▲
- **32,902** *Director Elections* ▲ ★

▲ Shareholders can vote against director nominees to hold them accountable for responding to shareholder interests:

- » Nominating committee members should be attentive to board refreshment and declassification.
- » Audit committee members should be attentive to audit integrity.
- » Compensation committee members should be attentive to long-term value alignment.

● Proposals may seek to link executive compensation with company performance in areas such as greenhouse gas emissions reductions or diversity targets.

★ Proposals may seek transparency into whether a company's lobbying activities are aligned with stated objectives such as employee rights or climate change strategies.

Notable Meeting Insights: Key Observations and Analysis

The following case study provides an example of proposals voted by staff through case-by-case analysis, in line with the PERA Board's *Proxy Voting Policy*.

Harley-Davidson, Inc. — Contested Director Election

Harley-Davidson's director elections followed ongoing investor discussion regarding board refreshment, succession planning, and long-term oversight effectiveness. The dissidents' campaign raised concerns about extended director tenures and questioned whether the board's composition remained sufficiently aligned with evolving strategic and leadership needs. In particular, investors focused on whether long-serving directors continued to provide the level of independence and perspective necessary to support effective CEO succession and oversight.

In evaluating the election, PERA Investment Stewardship staff concluded that selective board refreshment was warranted. While the dissidents' case did not call for wholesale board turnover, it presented a reasonable path to enhancing oversight and independence. PERA determined there was sufficient basis to withhold support from the three longest-serving directors whose continued service had not clearly aligned with improved shareholder outcomes or the CEO succession process. Accordingly, PERA supported a targeted approach intended to strengthen board effectiveness and governance accountability.

Maximizing Shareholder Agency at Low Cost

Proxy voting is a cost-effective tool for PERA to promote long-term shareholder value in line with our mission and fiduciary duty.

PERA's disciplined approach to proxy voting helps safeguard member assets by supporting governance practices that are expected to promote sustainable, risk-adjusted returns to the fund.

PERA votes by proxy to exercise shareholder rights in a cost-effective manner, in line with our fiduciary duty.

PERA's in-house stewardship experts work with proxy advisors to efficiently vote on tens of thousands of corporate ballot items each year.

ADVOCATE

We promote fair and transparent markets by contributing our expertise to regulators and financial industry advisory boards in advocacy of practices that serve long-term investor interests.

PERA's advocacy philosophy is centered on three principles: fair markets, alignment, and transparent disclosure.

Advocating for Alignment

PERA seeks to invest in firms with a history of strong business practices, and we actively monitor our partners on an ongoing basis to ensure they continue to act in the best interest of their investors. To that end, we hold meetings with corporate management, conduct thorough due diligence reviews on fund managers, analyze management track records, hold positions as advisory board members of our investment partnerships, and seek recovery of assets through securities litigation when necessary.

Investment Fund Advisory

PERA participates in private market fund advisory groups to advance best practices in investment management. Participation in these advisory boards and committees supports strong oversight and financial performance. As members of these committees, PERA staff may be responsible for reviewing valuation methodologies, examining conflicts of interest, and governing the fund partnership. This gives us the opportunity to advocate for practices that may influence profitable outcomes and improve the financial sustainability of our investments.

Securities Litigation

Ideally, company interests are aligned with investors' interests through sound governance. However, the temptation for management to act in ways that benefit themselves over investors is always present. If company management is not acting in the best interests of long-term shareholders, investment returns will suffer. Academic research has estimated corporate fraud costs the U.S. economy between $180 and $360 billion dollars a year.[9] This has a significant impact on shareholder value.

Deterring fraud and creating a culture of accountability through securities litigation are part of PERA's commitment to being good stewards of total fund assets. When public companies act fraudulently, we exercise our rights through litigation to hold the company accountable and collect PERA's share of recovered assets. These claims are in themselves assets of the total fund, and as such, it is within our fiduciary duty to pursue recovery in this manner.

See the "Advocate" video for a snapshot of how PERA advocates for stronger markets on behalf of our members at Stewardship Videos | Colorado PERA.

Pursuant to the Board's *Securities Litigation Policy*, we utilize the expertise of internal and external counsel, as well as our custodian bank, to identify claims and evaluate our participation eligibility. Many cases brought in the U.S., as well as foreign jurisdictions, are passive cases that require PERA only to file a claim for recovery. In those cases, PERA is not in a decision-making role, but will receive a pro-rata share of recovered assets.

However, there are circumstances where it is appropriate for PERA to pursue active participation in a case, which can include seeking a lead plaintiff of a class or opting out of a class action to bring a separate action. To determine whether PERA should pursue active participation, we examine a variety of factors, including the viable avenues of litigation; assets lost by PERA; the strength of the legal claims; and legal requirements in the defendant's country of incorporation. We believe this private right of action, when combined with regulatory enforcement actions, helps deter future corporate fraud for the ultimate protection of shareholders' interests.

What does this mean for PERA members?

By holding our portfolio management partners and public companies accountable, we can encourage practices that lead to reliable profitability on behalf of our members.

We believe:

» Markets that treat participants in a fair and equitable manner are beneficial to all long-term investors.

» Aligned interests of companies and investors are paramount to company success in the long run.

» As owners and creditors of a business, investors deserve robust and accurate information on financial and operational results.

Advocating for Disclosure

Investors require accurate and timely information from companies to adequately assess and project the overall performance of their investments. Disclosure transparency may vary by company and between private and public markets. Likewise, regulatory policies for financial reporting may vary by country, sector, or industry. Furthermore, the true financial value of intangible assets can be difficult to identify and quantify. These disclosure gaps create obstacles for investors to navigate in pursuit of reliable valuations.

As PERA continues to advocate for stronger capital markets, we recognize the need for increased availability and quality of financially material disclosures. Our investors lend their expertise to standards boards to develop and promote transparent and accurate disclosures regarding companies' operations and financial positions. We believe reliable and decision-useful disclosures about financially material risks and opportunities bring transparency and strength to financial markets.

What does this mean for PERA members?

With more transparency in the market we can make better investment decisions on behalf of our members.

Advocating for Fair Markets

PERA believes that fair and equitable markets are in the best financial interest of our members. Given PERA's size and reputation, we can have a meaningful impact in creating markets that are designed for the benefit of investors. We advocate for all investors by engaging with regulatory bodies, supporting investor-friendly legislation, and participating in advisory groups to develop and share best practices across asset classes.

Advocacy Groups in Which PERA Investments and Executive Staff Participated in 2025

Organization	Group	Focus
Build Authority Board	Board of Directors	Funding Colorado Infrastructure Projects
Chartered Alternative Investment Analyst Association (CAIA)	Allocator Advisory Council	Alternative Investment Practices
Chartered Financial Analyst Institute (CFA)	Diversity and Inclusion Steering Committee	Inclusive Human Capital
Chartered Financial Analyst Society of Colorado	President, Board of Directors	Investor Education
Colorado Office of Economic Development and International Trade	Venture Capital Authority Board	Access to Venture Capital
Council of Institutional Investors (CII)	Co-Chair, Board of Directors	Asset Owner Perspectives
Public Markets Advisory Committee (PMAC)	Small Business Advisory Committee	Accounting Standards
Girls Who Invest	Membership	Education in Finance
Harvard Institutional Investor Forum	Advisory Council	Institutional Investor Perspectives
Healthy Markets Association	Board of Directors	Market Structure Reform
Institutional Limited Partners Association (ILPA)	Membership	Private Market Partnership Practices
National Council of Real Estate Fiduciaries (NCREF)	Membership	Real Estate Performance and Standards Metrics
Public Company Accounting Oversight Board (PCAOB)	Investor Advisory Group	Audit Integrity and Regulation
Pension Real Estate Association (PREA)	Membership	Institutional Investor Education
International Financial Reporting Standards Foundation (IFRS)	Technical Readiness Working Group	Sustainability Disclosure Standards
University of Colorado Burridge Center for Finance	Board of Directors	Education in Finance
U.S. Securities and Exchange Commission	Secretary, Investor Advisory Committee	Regulatory Recommendations

EVALUATE

Evaluating our portfolios through different lenses helps us see underlying exposures from diverse perspectives.

PERA Board and staff monitor the investment portfolio on an ongoing basis. Returns, performance attribution, and risk are among the common metrics investors use to track their portfolios and compare the performance of their investments against benchmarks. In addition to these traditional metrics for portfolio evaluation, PERA can evaluate various thematic exposures underlying our portfolios. These can include metrics pertaining to environmental, social, or governance matters. We do not manage PERA's investments to these themes or exposures; rather, they are byproducts of our focus on high-quality investments expected to meet our risk-adjusted return objectives. Such insights are often of interest to PERA's members and partners, and we present them here in response to those interests.

Investment Performance

Financial performance is PERA's investment priority. Our investment decisions are driven solely by our expectations for long-term risk-adjusted returns. As of December 31, 2025, our long-term CIF portfolio performance achieved:[10]

- 7.6% annualized 5-year return
- 9.5% annualized 10-year return
- 8.1% annualized return since inception
- $94 billion generated by PERA's investments over the past 30 years

Exposure to Various Themes

The integration of relevant financial factors in our investment decisions can result in exposures to various non-financial themes in the portfolio. Such themes are often classified as environmental, social, or governance related. While PERA does not invest to meet specific ESG objectives, we recognize that both financial and non-financial exposures may be presented by these in the portfolio as a result of our integrative decision-making as economies and markets change.

The examples on the following pages illustrate how PERA's investments perform under nonfinancial indicators.

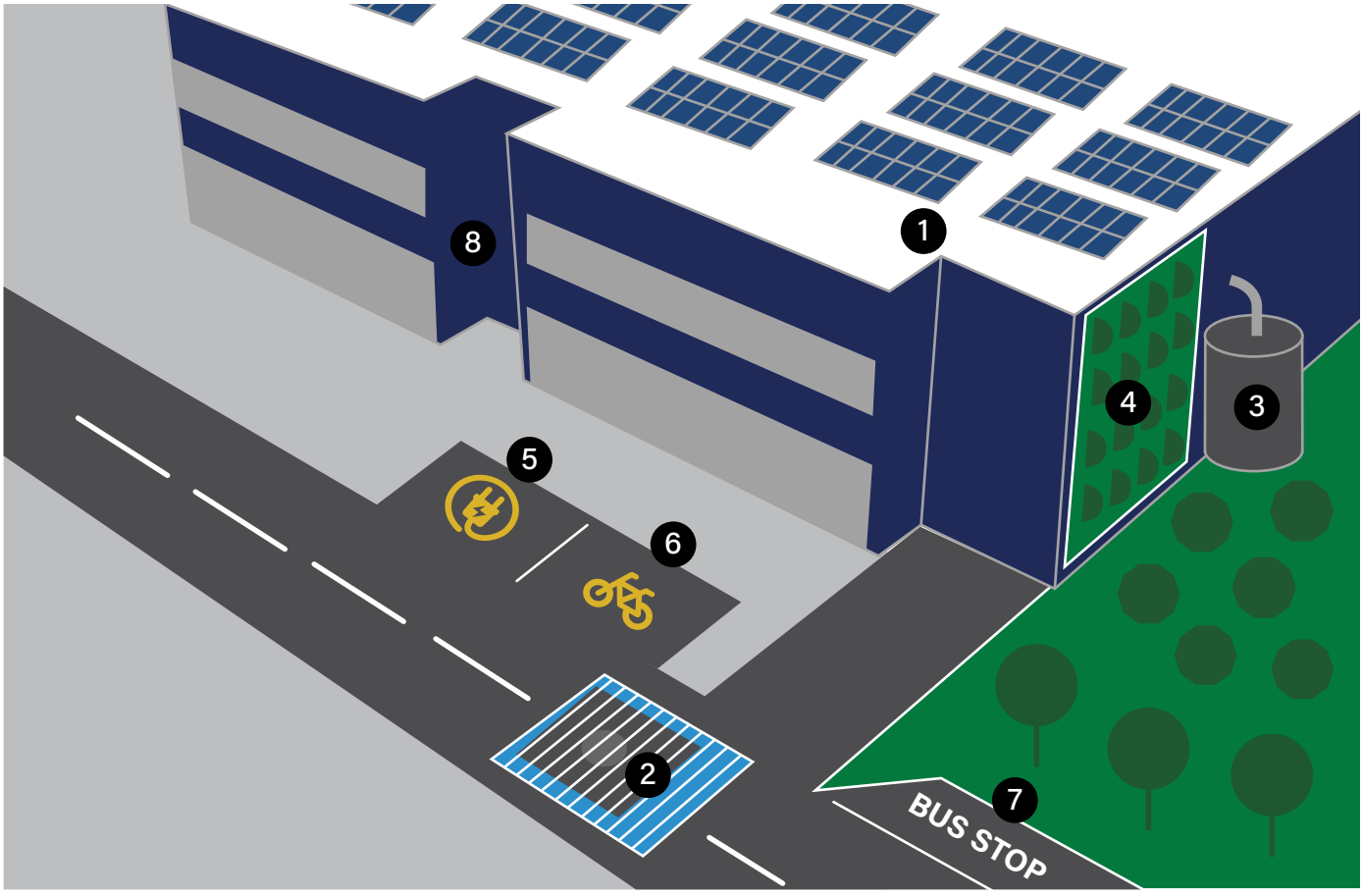
See the "Evaluate" video for a snapshot of how PERA evaluates our investments on an ongoing basis at Stewardship Videos | Colorado PERA.

Green Real Estate

PERA invests in real estate directly and through externally managed funds. When selecting real estate investments, we consider traditional risk and return factors and how they can be impacted by building efficiency and tenant experience. The portfolio includes projects that deploy cutting edge, green technologies expected to boost tenant satisfaction while minimizing operational costs and negative impacts on the community.

Advanced building designs and investment considerations such as these are expected to yield attractive investment returns to PERA's portfolio over the long-term:

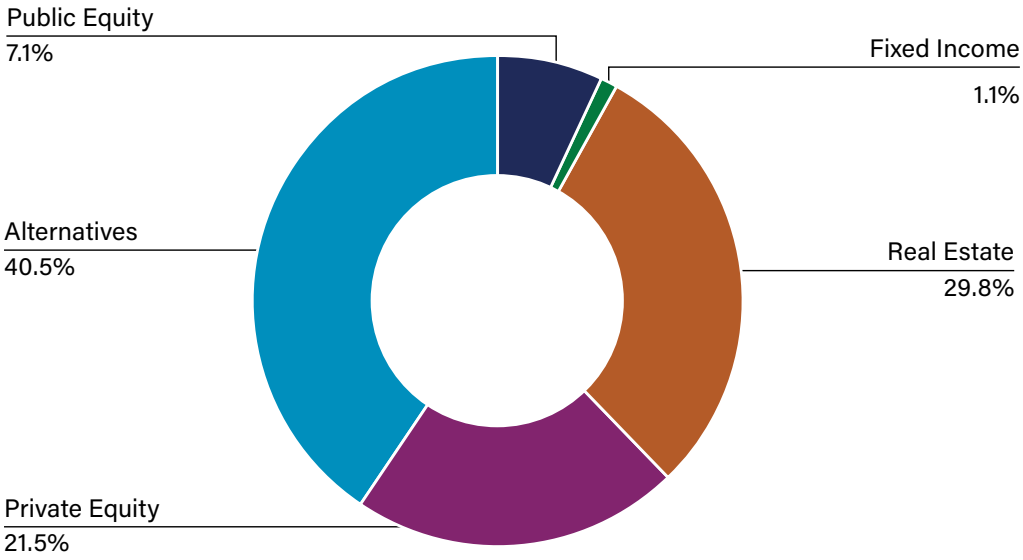
1. Solar panels and electric HVAC systems
2. Rainwater capture and distribution
3. Gray water storage and recycling
4. Lush landscaping and living walls
5. Electric vehicle charging stations
6. Bicycle paths and parking stands
7. Locations near community parks and access to public transport
8. Building Research Establishment Environmental Assessment Method (BREEAM) certifications



Colorado Investments

As stewards of Colorado's largest public pension plan, PERA takes pride in our contributions to Colorado's economy. PERA holds approximately $642 million in Colorado investments that meet the rigorous investment criteria for inclusion in the PERA portfolio. Ultimately, these investments are economic stimuli, which strengthen the state's economy.

Diversification of Investments in Colorado
As of December 31, 2025



Investments in Colorado
As of December 31, 2025

Asset Class	Fair Value
Public Equity*	**$45,918,000**
Fixed Income*	**6,965,000**
Real Estate	
Portfolio investments**	103,669,000
Future commitments to Colorado-based general partnerships or funds	87,713,000
Total Real Estate	**191,382,000**
Private Equity	
Portfolio investments**	118,021,000
Future commitments to Colorado-based general partnerships or funds	20,200,000
Total Private Equity	**138,221,000**
Alternatives	
Portfolio investments**	192,600,000
Future commitments to Colorado-based general partnerships or funds	67,384,000
Total Alternatives	**259,984,000**
Total Investments in Colorado	**$642,470,000**

* Companies headquartered in Colorado

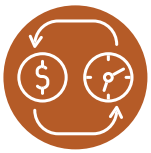
** Portfolio investments domiciled in Colorado

Positively Impacting Colorado's Economy

In addition to investing in Colorado, PERA benefit payments to retirees and benefit recipients generate a positive impact on the state's economy. In 2025, over 119,000 Colorado residents received more than $4.7 billion in distributions from PERA. These stable and valuable contributions to Coloradans resulted in the following:*

$7.32 billion in output

$3.71 billion in value-added (state gross domestic product)



$1.84 billion in labor income (measures worker impact in wages)

26,500 jobs

$406.6 million in state and local tax revenues

* Data taken from Colorado *PERA's Economic and Fiscal Impacts Report 2026*, prepared by Pacey Nehls Economic Consulting. The 2026 report covers activity through December 31, 2025. The *Economic and Fiscal Impacts Report* is produced every two years.

Climate-Related Risk Evaluation and Disclosure

PERA is committed to conducting business in an open and transparent manner. Under Colorado state law implemented by SB 23-016, PERA is required to disclose information regarding our considerations of climate-related risks to the association and portfolio by January 1 of each year. Beginning June 2024, before the law became effective, we made related information available in the Appendix of this annual report. To further public understanding of our operations and finances, moving forward we will disclose the required information in the main body of this annual report.

C.R.S. 24-51-220(2) On and after January 1, 2025, the Association shall include, as part of its annual Investment Stewardship Report or any successor annual report regarding the Association's investments that the association posts on its website or otherwise makes available to the public a description of:

(a) The Association's process for identifying climate-change-related risks and assessing the financial impact that the climate-change-related risks have on the Association's operations;

(b) The current or anticipated future risks that climate change poses to the Association's investment portfolio, the impact that climate change has on the association's investment strategies, and any strategy changes that the Association has implemented in response to such impact;

(c) Actions that the Association is taking to manage the risks that climate change poses to the Association's operations; and

(d) The Association's use and consideration of any climate-related reporting that the federal Securities and Exchange Commission requires.

PERA recognizes that climate change poses short-, medium-, and long-term risks and opportunities. Risks include acute physical risks such as those presented by natural disasters including wildfires, tornadoes, and earthquakes. Physical risks also include those extenuating from chronic effects of global warming. These include risks such as sea level rise due to ocean ice melt, and environmental freshwater redistribution which may lead to extreme regional drought or flooding. These events may present extensive ecological and societal disruptions, and the magnitude of these risks may increase in likelihood, frequency, and scale as global temperatures increase.

Mounting physical climate risks also present real economic impacts as the world seeks to mitigate and adapt life to significant climate events. Moving to a lower carbon economy requires regulatory changes and technological innovation that alter supply and demand curves. Transition risks may include increased insurance premiums, regulatory fines, asset impairments, supply squeezes, and shifting consumer preferences. Transition risks also present tremendous opportunities for governments and businesses to respond to evolving societal needs. Financial gains from adaptation to climate change may stem from competitive advantages, expanded market share, and reduced compliance and legal costs. In turn, these climate-related economic considerations present new risks and opportunities for investors to consider in their capital allocation decisions.

Under our fiduciary duty, we make operational and investment decisions in support of our mission to provide retirement benefits to plan beneficiaries while ensuring the long-term financial sustainability of the fund. The PERA Board and PERA management evaluate risks posed to the Association on an ongoing basis, however PERA does not have an isolated practice for identifying climate-change-related risks to the Association or portfolio. Instead, PERA takes a holistic approach to evaluating and managing overall business and investment risks.

Pursuant to its *Governance Manual*, the PERA Board requires that management establish appropriate operational controls and risk management procedures, and maintain appropriate insurance coverage to protect against liability which arises out of, or in conjunction with business risks PERA faces. Liabilities may arise from the need to repair or replace PERA property in the event of natural disasters, and appropriate insurance coverage is expected to cover those liabilities and minimize negative financial impacts to the Association.

Physical climate risk may also induce environmental events that can threaten the continuity of PERA's critical business functions or otherwise jeopardize the integrity of PERA's operational infrastructure. To mitigate the impacts of these risks, each business line of the Association maintains Business Continuation Plans, and tests them periodically to ensure critical operations can continue in the event of natural or other disasters. These plans detail required equipment and software needed to perform critical functions outside of PERA's office buildings, processes and procedures, key vendor and consultant contacts, and procedures in the event of key personnel loss. These protocols are expected to mitigate negative financial and operational impacts to the Association arising from physical climate risks.

PERA, like many organizations, views transition risks through the lens of opportunity to increase the efficiency of its operations and improve customer care. In recent years, we have made significant progress in modernizing our main physical location at the Penn Center to be more energy efficient. These improvements are expected to provide long-term cost savings for the Association, while reducing the carbon footprint of PERA's facilities.

Energy efficient improvements include building HVAC upgrades to replace an outdated radiant heating system with Fan Powered Variable Air Volume (FPVAV) system enabled with automated and remote-controlled heating and cooling. This system reduces energy consumption by running system fans at variable rates, directing the heat and cooling where it is needed, and operating at night when the main air handler is not running. PERA also installed a flat plate heat exchanger, which provides free cooling when outside temperatures are below 75 degrees Fahrenheit, replacing chillers that previously ran when outside temperatures were above 55 degrees Fahrenheit. Additionally, the building's cooling tower baffles and exhaust fans have been replaced with more energy efficient models. In 2025, PERA completed a capital improvement project to replace two 200-ton chillers to help improve energy efficiency and support building operations at the Penn Center.

In addition to HVAC upgrades, the Penn Center has been upgraded to replace fluorescent and metal-halide lighting fixtures with LED bulbs, and the installation of motion sensor wall switch plates in restrooms. These retrofits have reduced the Association's consumption of electricity and replacement bulb waste, decreasing costs. In 2025, PERA completed a building energy audit at the Penn Center. Auditors collected building data to analyze PERA's energy efficiency and will provide PERA with further recommendations for further building improvements.

Meanwhile, we continue to monitor electricity and natural gas usage against current ENERGY STAR Energy Use Intensity (EUI) benchmarks. Properly managing equipment start and stop times remains an important part of the overall energy management process, and the team continues to fine-tune building operations to balance energy consumption with occupant comfort for employees and tenants. At this time, the properties remain on track to meet the established energy usage metrics with the required annual benchmarking for the State of Colorado and City of Denver.

The Association has also increased the efficiency and resiliency of its operations through digital service delivery models, which reduce reliance on physical resources. PERA now offers virtual webinars and benefits counseling sessions to answer questions from plan participants and empower them toward ownership of their retirement success. Digital service enhancements also include the PERA mobile app and digital formats for secure transmission of benefit forms, retirement applications, and account information. These virtual offerings enable PERA members and retirees to conduct account business from the comfort of their home, potentially reducing statewide travel and related emissions.

These initiatives are driven by our commitment to serving plan participants with excellence and cost-efficiency under fiduciary care. They also support PERA's compliance with local laws and regulations, which may include mandates regarding energy efficiency and other measures aimed at managing climate-related risks and opportunities in the state of Colorado. Ultimately, these lower carbon efforts are business decisions intended to improve operational efficiencies, though they may also contribute to externalities affecting our communities and environment.

Similarly, as we manage the PERA investment portfolio solely in the financial interest of the PERA membership, we recognize our investments may also contribute to external impacts. Per the *Governance Manual*, the Investment Committee of the PERA Board is responsible for overseeing PERA's investment program and making related recommendations to the Board. As the Investment Committee and Board determine policies that govern PERA's investment program, they may discuss aspects of climate-related risks to PERA and the portfolio. These discussions may include topics related to physical risks of climate as well as risks and opportunities presented by the transition to a lower carbon economy.

As the PERA Board's *Statement of Investment Policy* for the Combined Investment Fund states, "The function of PERA is to provide present and future retirement or survivor benefits for its members. This objective requires the prudent assumption of investment risk in seeking to maximize long-term investment returns while incorporating the fund's liability requirements."

To meet this objective, the Board has established acceptable investment risk parameters and return expectations for PERA staff to pursue under direction of the Chief Investment Officer. These risk parameters are intentionally broad, and do not dictate thresholds for climate or other specific risks in isolation. This is because climate-related matters are only one type of countless risks that contribute to overall the portfolio's overall risk profile.

Although climate change is a systemic, worldwide issue, the risks and opportunities it brings are idiosyncratic, affecting different aspects of business operations and portfolio management in different ways through time. Portfolio-level assessments such as climate scenario analyses are costly and involve many assumptions of unknown events and economic sequences that may not account for the total mix of factors that can affect a portfolio. Instead, PERA evaluates material climate-related risks and opportunities within the full mosaic of information available when making active investment and proxy voting decisions.* Sources of information PERA may use when weighing these decisions include regulatory filings and enforcement actions**, audited financial statements, geographic data, proxy and sell-side research, and direct engagements with fund managers or portfolio companies.

As risks and opportunities change through time, PERA remains committed to maximizing risk-adjusted returns through diligent and cost-effective investment management, in line with our fiduciary duty. As such, there were no changes to PERA's investment strategy or metrics used to assess material climate-related opportunities and risks in 2025.

We believe our consistent and diligent consideration of all material risks and opportunities—including those posed by climate change, where financially relevant—has demonstrated its value through long-term outperformance of our investment returns, relative to the benchmark. In addition to meeting or exceeding the PERA Board's long-term assumed rate of return to cover pension liabilities, our portfolio may also demonstrate performance in climate-related metrics at a given point in time. These may include lower weighted average carbon intensity (WACI) of PERA's public market portfolios relative to their respective benchmarks, as well as exposures to companies and industries that are effectively managing physical and transition risks and opportunities. Continue reading for more insights into the types of attributes that may result from PERA's responsible investment management.

* See the PERA Board's *Proxy Voting Policy* for more information on PERA's philosophy regarding integration of material considerations. The Policy states, "...financial sustainability remains our priority in all investment and proxy voting decisions. To the extent that other sustainability factors – such as those pertaining to the natural environment or society – are financially material to a particular investment within the PERA Portfolios, they are integrated into our decision framework."

** In 2024, the U.S. Securities and Exchange Commission (SEC) adopted the Enhancement and Standardization of Climate-Related Disclosures for Investors rule package. However, the rules faced legal challenges, and the SEC voluntarily stayed enforcement of the rule. In 2025, the SEC voted to withdraw its defense of the rules, indefinitely pausing the litigation and rendering the rules ineffective. In May 2026, the SEC filed a formal proposal with the Office of Information and Regulatory Affairs to rescind its 2024 climate disclosure rules. Companies in the U.S. and abroad may still be required to, or voluntarily choose to, disclose climate-related risks and opportunities to investors under various reporting frameworks. The PERA Board's *Proxy Voting Policy* is supportive of corporate disclosures that utilize standards promulgated by the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD), both of which are now under mandate of the International Sustainability Standards Board (ISSB) of the International Financial Reporting Standards (IFRS) Board.

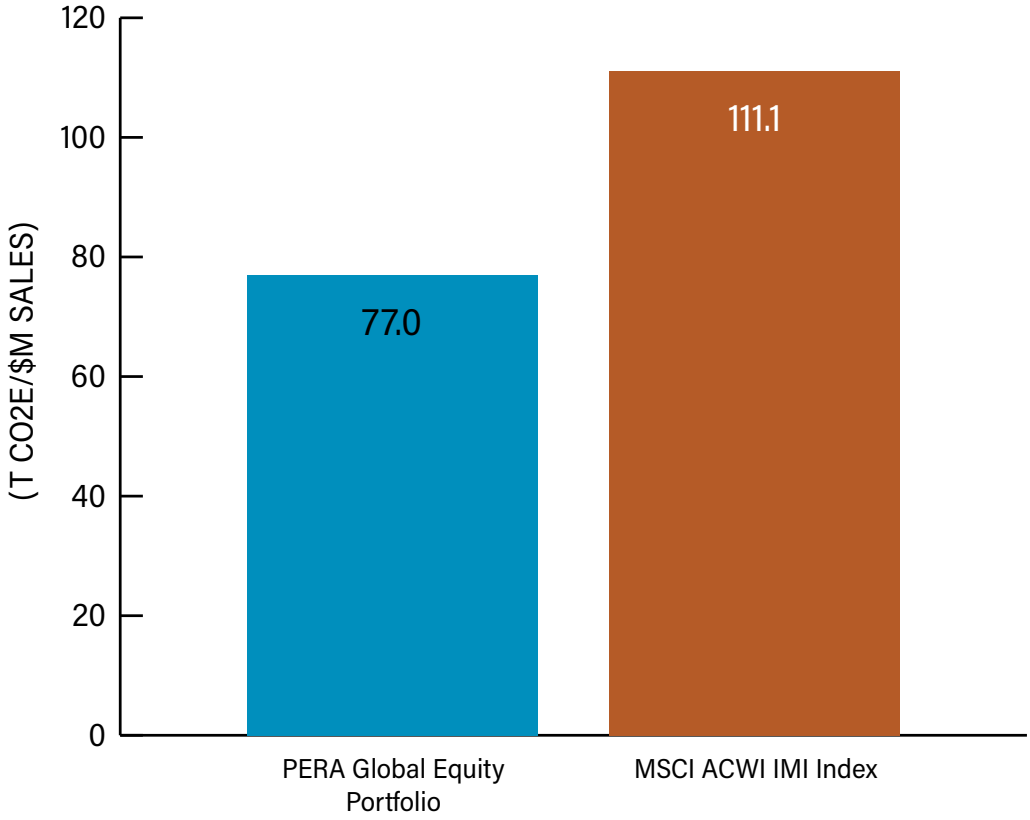
Carbon Risk

One measure of carbon risk is the weighted average carbon intensity (WACI), which is calculated as a company's carbon dioxide emissions (in metric tonnes), divided by its reported sales (in millions of dollars). These are then aggregated at the portfolio level and weighted according to each company's proportion of the total portfolio.

Using assessments from MSCI, PERA can measure the WACI of our Global Equity portfolio, relative to its benchmark. The data show that PERA's Global Equity portfolio has 30.6% less carbon risk than its benchmark, as of December 31, 2025.

Carbon Risk of PERA's Global Equity Portfolio

The carbon risk of PERA's Global Equity Portfolio is moderate and 30.6% lower than the benchmark, as of December 31, 2025.



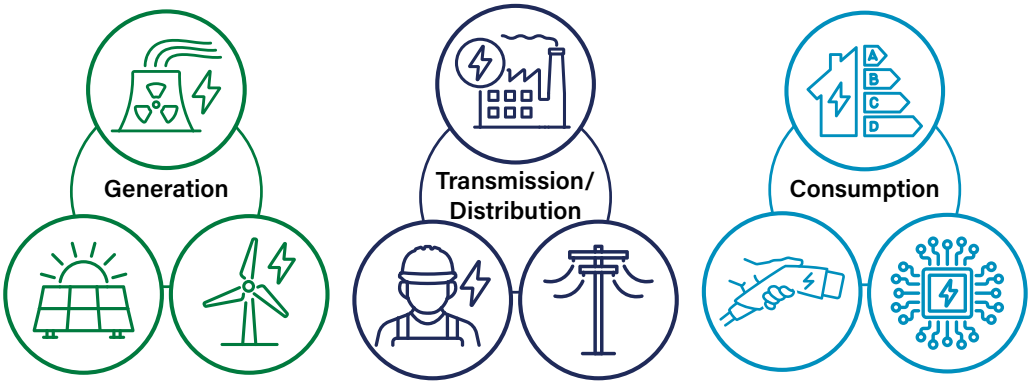
Source: MSCI, Colorado PERA

Energy Sector

PERA invests across the full energy spectrum because we think this strategy is the most likely to deliver stable, risk-adjusted returns over decades while managing volatility and regulatory uncertainty. Through direct and indirect investments, we have exposure to renewable and traditional energy sources including wind, natural gas, oil, solar, and biomass, as well as exposures to energy services and utility companies. Diversifying our allocations across the energy sector is critical for long-term financial sustainability.

While renewable sources are growing rapidly, they provide intermittent supply, demonstrating that a mix of energy sources will be needed to provide reliable power globally for decades to come. Natural gas remains the most reliable fuel to provide safe and dependable energy to communities, homes, and businesses—especially during peak demand periods. The EIA estimates that natural gas, solar, and wind are expected to grow the most in share of total U.S. electricity mix through 2050.[11] Through a diversified energy and power investment strategy, PERA can reduce portfolio risk, stabilize cash flows, and hedge policy uncertainty. This strategy is expected to position the portfolio to benefit from energy supply and demand shifts in the short-to-medium term, while looking ahead to tomorrow's decarbonized economy.

Diversifying our investments across the electrification opportunity set will position the portfolio to manage risk and capitalize on the global move toward electrification and grid modernization.



Smart Grid and Electrification

As new energy technologies emerge, they transform the ways governments, companies, and investors think about fueling the future. Technologies such as electric vehicles, heat pumps, and two-way transformers are designed to increase efficiency and reduce carbon emissions through electrification.

The energy transition to a lower carbon economy will span multiple decades and be shaped by resource availability and changing market conditions through time. The EIA forecasts electricity demand to grow by up to 1.6% annually through 2050, driven by geopolitics, AI, electric vehicles, and new power generation technologies. Commercial activity is expected to be the biggest driver of demand and will benefit from innovative solutions that improve energy efficiency. Tomorrow's solutions will need to address intermittent supply and demand shifts, grid stability, and battery storage scalability.[12]

PERA's investments in electrification are diversified across the modern energy grid. Our portfolio includes exposure to engineers, producers, and distributors, as well as real assets and service companies needed to build out and maintain growing electric power infrastructure. Our investment thesis is supported by increased demand for consumer-driven goods and services like electric vehicles and AI data centers, regulatory and building code changes, utility incentives, and the ongoing need to replace or retrofit existing infrastructure.

Additional Exposures

PERA has engaged with MSCI Solutions LLC (MSCI) to access index constituent data, risk management tools, sector data down to the sub-industry level, and independent ESG ratings and research that inform our portfolio evaluations. MSCI conducts detailed research on over 10,000 companies and scores them based on their ESG-related risks, and their effectiveness in managing those risks. MSCI's ESG scores are dynamic and fluctuate through time based on company practices evaluated under their research and scoring methodologies. In general, MSCI asserts that companies that score more highly are expected to have a greater ability to manage and mitigate company-specific risks, and to be more resilient when confronted with fluctuations in financial markets and regulatory policy.[13]

The information provided by MSCI is supplementary to our fundamental analysis of material factors pertaining to a company's financial sustainability throughout the holding period. We do not manage portfolios to target any specific ESG metric or outcome. As PERA actively manages assets with consideration to financially material factors, the composition of our portfolios may change over time, resulting in ESG score fluctuations for PERA portfolios and their benchmarks. Scoring fluctuations may also result from changes to MSCI's methodologies and practices of subject companies through time.

Through these assessments, we have identified the following exposures to ESG-related themes within the PERA portfolio. All results represented below are aggregated for public company holdings within the PERA CIF portfolio and are based on metrics provided by MSCI. The scores and metrics represented in this report are expected to change through time as PERA's investments change, MSCI's metrics evolve, and companies' practices shift.

$13.8 billion

Invested in companies with a three-year average carbon emissions intensity score that is lower than the industry median.

$1.7 billion

Invested in companies that have aggressively sought to reduce their carbon emissions through the use of cleaner sources of energy such as solar, wind, geothermal, co-generation or natural gas, instead of oil or coal.

$1.4 billion

Invested in companies with programs in place to reduce water consumption across all operations.

$1.4 billion

Invested in the top quartile** of companies managing their exposure to risks related to the carbon intensity of their products and their ability to reduce the carbon footprint of their supply chains or in the use of their products and services.

$1.1 billion

Invested in companies that score highly* among peers for carbon emissions metrics (including greenhouse gas emissions intensity by sales and by units of production, and trend in emissions intensity).

* Includes companies with scores of 80% or higher as evaluated by MSCI.

** MSCI quartile rankings are relative to companies in the relevant ESG rating industry that are constituents of the MSCI ACWI.

ONGOING STEWARDSHIP FOR A FINANCIALLY SUSTAINABLE FUTURE

PERA is committed to sensible investment practices that advance our members' financial security in retirement.

As stewards of pension plan assets, we invest with one purpose: to sustainably provide retirement income to our members and their beneficiaries. Under the fiduciary duty we owe the PERA membership, we are steadfast in our commitment to achieving the best long-term, risk-adjusted returns to the portfolio. That commitment upholds our mission and requires us to deploy our expertise with diligence and care.

Through ever-changing market dynamics, we deploy our expertise to consider financially relevant risks and opportunities in our investment decisions, maintain a cost-conscious investment program, advocate for healthy markets, and evaluate our portfolio characteristics on an ongoing basis. We do it all whole-heartedly, because we know our members depend on us for their retirement security—now and into the future.

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3. ENERGY STAR certified new homes are verified by independent Home Energy Raters.
4. ENERGY STAR units in certified multifamily high-rise buildings are verified by a professional engineer or registered architect.
5. ENERGY STAR certified buildings and plants earn a score of 75 or higher on EPA's 1–100 energy performance scale and are verified by a licensed Professional Engineer (PE) or Registered Architect (RA).
6. Products/Homes/Buildings that earn the ENERGY STAR prevent greenhouse gas emissions by meeting strict energy efficiency requirements set by the United States Environmental Protection Agency.

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COMMONLY USED ACRONYMS

AGM:	Annual General Meeting
CAPs:	Capital Accumulation Plans (Collectively PERA's 401(k) Plan, 457 Deferred Compensation Plan, and Defined Contribution Plan)
CIF:	Combined Investment Fund
DB:	Defined Benefit (AKA "Total Fund" or "Fund")
DC:	Defined Contribution
ESG:	Environmental, Social, and Governance
ILPA:	Institutional Limited Partner Association
IFRS:	International Financial Reporting Standards
ISS:	Institutional Shareholder Services
ISSB:	International Sustainability Standards Board
MSCI:	MSCI Solutions, LLC
SASB:	Sustainability Accounting Standards Board (formerly known as; now part of the ISSB)
SEC:	U.S. Securities and Exchange Commission
TCFD:	Taskforce on Climate-related Financial Disclosures (formerly known as; now part of the ISSB).

ENDNOTES

1 PERA data as of December 31, 2025, unless otherwise noted. Amounts may not add due to rounding.

2 "ILPA Reporting Template." *Institutional Limited Partners Association*. January 1, 2026.

3 Costs are calculated as a weighted average of investment management fees and administration fees across all funds offered in the PERA 401(k) Plan. 2011 costs are represented as a percentage of average investments at fair value between January 1, 2011, and September 30, 2011, prior to the inception of the white label fund structure. Costs for 2025 are represented as a percentage of average investments at fair value between January 1, 2021–December 31, 2025.

4 Costs are calculated as a weighted average of investment management fees and administration fees across all funds offered in the PERA 401(k) Plan. 2011 costs are represented as a percentage of average investments at fair value between January 1, 2011, and September 30, 2011, prior to the inception of the white label fund structure. Costs for 2025 are represented as a percentage of average investments at fair value between January 1, 2021–December 31, 2025.

5 *Statement of Investment Policy - Combined Investment Fund*

6 Kuh, Thomas and Shepley, Andre, Bala, Greg and Flowers, Michael. "Dynamic Materiality." *TruValue Labs and FactSet.* January 17, 2020.

7 *Colorado PERA Board of Trustees Statement on Divestment*

8 PERA's proxy statistics throughout this report are for proposals voted For, Against, or Abstain for corporate meetings held 1/1/25-12/31/25, based on data from Glass Lewis and Colorado PERA, unless otherwise noted.

9 Dyck, I. J. Alexander and Morse, Adair and Zingales, Luigi. "How Pervasive is Corporate Fraud?" *Rotman School of Management Working Paper No. 2222608.* February 22, 2013.

10 Time-weighted returns are net of external investment management and custody fees. Note: all figures beyond one year are cumulative and annualized returns.

11 "Annual Energy Outlook 2026." *U.S. Energy Information Administration (EIA).* April 2026.

12 "Annual Energy Outlook 2026." *U.S. Energy Information Administration (EIA).* April 2026.

13 Giese, Guido and Lee, Linda-Eling. "Weighing the Evidence: ESG and Equity Returns." *MSCI.* April 2019

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