

REFERENCE TITLE: ASRS; investment management

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

# HB 2147

Introduced by  
Representatives McClure: Crandall

AN ACT

AMENDING SECTIONS 38-718 AND 38-719, ARIZONA REVISED STATUTES; RELATING TO  
THE ARIZONA STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 38-718, Arizona Revised Statutes, is amended to  
3 read:  
4 38-718. Investment management; qualifications; term; removal;  
5 general powers and duties; confidentiality of  
6 proprietary information  
7 A. The board shall appoint investment management. Investment  
8 management shall have:  
9 1. The highest professional and fiduciary recommendations.  
10 ~~2. Not less than three years' experience at handling institutional~~  
11 ~~investments of at least two hundred fifty million dollars and not less than~~  
12 ~~two hundred fifty million dollars currently under management. This paragraph~~  
13 ~~is satisfied if investment management or the individual retained by~~  
14 ~~investment management meets this requirement.~~  
15 ~~3.~~ 2. Had responsibility for investment decision making as an  
16 insurance company investment fund, an investment division of a bank, a mutual  
17 fund, an investment organization, a pension fund or an investment adviser who  
18 is designated as a chartered financial analyst by the association for  
19 investment management and research.  
20 B. A bank serving as investment management does not have a conflict of  
21 interest because it is also a depository in which ASRS monies are deposited.  
22 C. The board shall appoint the investment management for a term of one  
23 year and may appoint the investment management to succeeding terms. The  
24 board may remove investment management for not complying with this article or  
25 for failure to comply with or adhere to the board's investment goals,  
26 objectives or policies.  
27 D. Investment management:  
28 1. Has the sole authority to invest and reinvest in the name of ASRS  
29 all ASRS monies assigned to investment management and shall purchase and sell  
30 in the name of ASRS any of the securities and investments held by ASRS under  
31 this article.  
32 2. Is responsible for making and executing all investment decisions.  
33 3. Shall be multiple.  
34 E. Investment management shall not directly or indirectly:  
35 1. Have an interest in making an investment or purchasing annuities  
36 from a private insurer or in the gains or profits accruing from an investment  
37 or annuities.  
38 2. As investment management or as agent or partner of others borrow  
39 monies, funds or deposits of ASRS or use monies, funds or deposits in any  
40 manner except as directed under this article.  
41 3. Be an endorser, surety or obligor on investments made under this  
42 article.  
43 F. Subject to the limitations in section 38-719, the board may  
44 authorize the director to make investments that are designated by the board

1 and that do not exceed fifty per cent of the assets of the investment account  
2 measured at cost.

3 G. For the purpose of exercising the investment responsibilities  
4 prescribed in this section, the board may enter into contracts to receive  
5 market data and other market information from securities, commodities,  
6 options and monetary exchanges. These contracts may be interpreted and  
7 enforced under the laws of a jurisdiction other than this state and are not  
8 subject to section 35-214 or 38-511 or title 41, chapter 23.

9 H. PROPRIETARY COMMERCIAL INFORMATION THAT IS PROVIDED TO THE BOARD,  
10 DIRECTOR, INVESTMENT MANAGEMENT, EMPLOYEES OF THE DIRECTOR AND ATTORNEYS OF  
11 THE BOARD OR THE DIRECTOR RELATING TO INVESTMENTS IN WHICH INVESTMENT  
12 MANAGEMENT HAS INVESTED OR HAS CONSIDERED FOR INVESTMENT IS CONFIDENTIAL AND  
13 NOT A PUBLIC RECORD IF THE INFORMATION IS INFORMATION THAT WOULD CUSTOMARILY  
14 NOT BE RELEASED TO THE PUBLIC BY THE PERSON OR ENTITY FROM WHOM THE  
15 INFORMATION WAS OBTAINED.

16 Sec. 2. Section 38-719, Arizona Revised Statutes, is amended to read:

17 38-719. Investment of monies; limitations

18 A. Investment management may invest and reinvest the monies in its  
19 accounts and may hold, purchase, sell, assign, transfer and dispose of any of  
20 the securities and investments in which any of its account monies are  
21 invested. Investment management shall redeposit the proceeds of sales,  
22 maturities and calls in the ASRS depository.

23 B. Investment management shall discharge the duties of the position  
24 with the care, skill, prudence and diligence under the circumstances then  
25 prevailing that a prudent person acting in a like capacity and familiar with  
26 the same matters would use in the conduct of an enterprise of a like  
27 character and with like aims as that of ASRS, except that:

28 1. No more than eighty per cent of ASRS assets may be invested at any  
29 given time in corporate stocks or equity equivalents, based on cost value of  
30 the stocks or equity equivalents irrespective of capital appreciation.

31 2. No more than five per cent of ASRS assets may be invested in  
32 securities issued by any one institution, agency or corporation, other than  
33 securities issued as direct obligations of or fully guaranteed by the United  
34 States government or mortgage backed securities and agency debentures issued  
35 by federal agencies.

36 3. No more than five per cent of the voting stock of any one  
37 corporation may be owned.

38 4. No more than ~~twenty~~ THIRTY-FIVE per cent of ASRS assets may be  
39 invested in foreign equity securities, and those investments shall be made  
40 only by investment managers with demonstrated expertise in those investments.

41 5. No more than ten per cent of ASRS assets may be invested in bonds  
42 or other evidences of indebtedness of those multinational development banks  
43 in which the United States is a member nation, including the international  
44 bank for reconstruction and development, the African development bank, the  
45 Asian development bank and the Inter-American development bank.

1           6. No more than one per cent of ASRS assets may be invested in  
2 economic development projects authorized as eligible for investment by the  
3 department of commerce.

4           C. Notwithstanding any other law, investment management shall not be  
5 required to invest in any type of investment that is dictated or required by  
6 any entity of the federal government and that is intended to fund economic  
7 development projects, public works or social programs but may consider such  
8 economically targeted investments pursuant to its fiduciary responsibility.