

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

HOUSE BILL 2147

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 **OR INDIVIDUAL EMPLOYEES WITHIN A FIRM** ~~meets~~ **MEET** this
15 requirement.

16 3. Had responsibility for investment decision making as an insurance
17 company investment fund, an investment division of a bank, a mutual fund, an
18 investment organization, a pension fund or an investment adviser who is
19 designated as a chartered financial analyst by the association for investment
20 management and research.

21 B. A bank serving as investment management does not have a conflict of
22 interest because it is also a depository in which ASRS monies are deposited.

23 C. The board shall appoint the investment management for a term of one
24 year and may appoint the investment management to succeeding terms. The
25 board may remove investment management for not complying with this article or
26 for failure to comply with or adhere to the board's investment goals,
27 objectives or policies.

28 D. Investment management:

29 1. Has the sole authority to invest and reinvest in the name of ASRS
30 all ASRS monies assigned to investment management and shall purchase and sell
31 in the name of ASRS any of the securities and investments held by ASRS under
32 this article.

33 2. Is responsible for making and executing all investment decisions.

34 3. Shall be multiple.

35 E. Investment management shall not directly or indirectly:

36 1. Have an interest in making an investment or purchasing annuities
37 from a private insurer or in the gains or profits accruing from an investment
38 or annuities.

39 2. As investment management or as agent or partner of others borrow
40 monies, funds or deposits of ASRS or use monies, funds or deposits in any
41 manner except as directed under this article.

42 3. Be an endorser, surety or obligor on investments made under this
43 article.

44 F. Subject to the limitations in section 38-719, the board may
45 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; divestment

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 per cent of ASRS assets may be invested
39 in foreign ~~equity~~ securities, and those investments shall be made only by
40 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.

9 D. INVESTMENT MANAGEMENT SHALL REVIEW THE EXTENT TO WHICH THE ASSETS
10 OF ASRS ARE INVESTED IN THE STOCKS, SECURITIES OR OTHER OBLIGATIONS OF ANY
11 CORPORATION OR COMPANY, OR ANY SUBSIDIARY, AFFILIATE OR PARENT OF ANY
12 CORPORATION OR COMPANY, DOING BUSINESS IN OR WITH THE NATION OF SUDAN OR ITS
13 INSTRUMENTALITIES. INVESTMENT MANAGEMENT SHALL, IN ACCORDANCE WITH SOUND
14 INVESTMENT CRITERIA AND CONSISTENT WITH INVESTMENT MANAGEMENT'S FIDUCIARY
15 OBLIGATIONS, DIVEST ANY SUCH HOLDINGS AND SHALL NOT INVEST IN ANY SUCH
16 STOCKS, SECURITIES OR OTHER OBLIGATIONS. DIVESTMENT PURSUANT TO THIS
17 SUBSECTION MUST BE COMPLETED BY JANUARY 1, 2008.