

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

CHAPTER 121
HOUSE BILL 2703

AN ACT

AMENDING TITLE 26, CHAPTER 3, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 26-403; AMENDING SECTIONS 28-6547 AND 28-9201, ARIZONA REVISED STATUTES; AMENDING TITLE 35, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 35-319; AMENDING SECTIONS 38-714 AND 38-848, ARIZONA REVISED STATUTES; AMENDING LAWS 2014, CHAPTER 251, SECTION 1; APPROPRIATING MONIES; RELATING TO GOVERNMENT BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 26, chapter 3, article 1, Arizona Revised Statutes,
3 is amended by adding section 26-403, to read:

4 26-403. Emergency management assistance compact revolving fund;
5 purpose: exemption

6 A. THE EMERGENCY MANAGEMENT ASSISTANCE COMPACT REVOLVING FUND IS
7 ESTABLISHED CONSISTING OF MONIES APPROPRIATED BY THE LEGISLATURE AND MONIES
8 RECEIVED AS REIMBURSEMENT FOR COSTS INCURRED BY THIS STATE WHILE RENDERING
9 AID AS PRESCRIBED IN SECTION 26-402. MONIES IN THE FUND ARE CONTINUOUSLY
10 APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO
11 LAPSING OF APPROPRIATIONS. THE DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS
12 SHALL ADMINISTER THE FUND.

13 B. MONIES IN THE FUND SHALL BE USED FOR THE COSTS INCURRED BY THIS
14 STATE WHILE ASSISTING OTHER STATES WITH EMERGENCIES OR NATURAL DISASTERS
15 PURSUANT TO SECTION 26-402.

16 Sec. 2. Section 28-6547, Arizona Revised Statutes, is amended to read:

17 28-6547. Safety enforcement and transportation infrastructure
18 fund; subaccounts; exemption from lapsing

19 A. The safety enforcement and transportation infrastructure fund is
20 established. The fund consists of monies deposited pursuant to sections
21 28-2321, 28-2324, 28-2325, 28-5474, 28-5739, 28-5863 and 28-5864. The
22 department shall administer the fund.

23 B. THE DEPARTMENT OF TRANSPORTATION SUBACCOUNT IS ESTABLISHED WITHIN
24 THE SAFETY ENFORCEMENT AND TRANSPORTATION INFRASTRUCTURE FUND CONSISTING OF
25 FIFTY-FIVE PERCENT OF THE MONIES THAT ARE DEPOSITED INTO THE FUND EACH MONTH.
26 THE DEPARTMENT OF PUBLIC SAFETY SUBACCOUNT IS ESTABLISHED WITHIN THE SAFETY
27 ENFORCEMENT AND TRANSPORTATION INFRASTRUCTURE FUND CONSISTING OF FORTY-FIVE
28 PERCENT OF THE MONIES THAT ARE DEPOSITED INTO THE FUND EACH MONTH. MONIES IN
29 THE SUBACCOUNTS ARE SUBJECT TO LEGISLATIVE APPROPRIATION.

30 ~~B. C. Subject to legislative appropriation,~~ Monies in the fund shall
31 be spent on the following:

32 1. Enforcement of vehicle safety requirements by the department of
33 public safety and the department of transportation within twenty-five miles
34 of the border between Arizona and Mexico.

35 2. Costs related to the procurement of electronic equipment, automated
36 systems or improvements to existing electronic equipment or automated systems
37 for relieving vehicle congestion at ports of entry on the border between this
38 state and Mexico.

39 3. Construction, maintenance and upgrades of transportation
40 facilities, including roads, streets and highways, approved by the board
41 within twenty-five miles of the border between Arizona and Mexico.

42 4. As approved by the board, construction and maintenance of
43 transportation facilities in the CANAMEX high priority corridor as defined in
44 section 332 of the national highway system designation act of 1995
45 (P.L. 104-59; 109 Stat. 596-597).

1 5. Activities of the department that include the collection of
2 transportation and trade data in the United States and Mexico for the
3 purposes of constructing transportation facilities, improving public safety,
4 improving truck processing time and relieving congestion at ports of entry on
5 the border between Arizona and Mexico. The department may enter into an
6 agreement with the Arizona-Mexico commission and provide funding to the
7 commission for the purposes contained in this paragraph.

8 6. A commitment or investment necessary for the department or another
9 agency of this state to obtain federal monies that are designated for
10 expenditure pursuant to this section.

11 ~~G.~~ D. If the department of transportation determines that activities
12 proposed by the Arizona department of homeland security may improve traffic
13 safety in this state, the department of transportation may enter into an
14 agreement with, and provide, subject to legislative appropriation, ~~fund~~
15 DEPARTMENT OF TRANSPORTATION SUBACCOUNT monies to the Arizona department of
16 homeland security for the purposes contained in this subsection.

17 ~~D.~~ E. If the department determines that activities proposed by the
18 Arizona international development authority for planning, development and
19 construction of transportation facilities on the border between Arizona and
20 Mexico may improve traffic safety in this state, the department may enter
21 into an agreement with, and provide, subject to legislative appropriation,
22 fund monies to the Arizona international development authority for the
23 purposes contained in this subsection.

24 ~~E.~~ F. On notice from the department, the state treasurer shall invest
25 and divest monies in the fund as provided by section 35-313, and monies
26 earned from investment shall be credited to the fund.

27 ~~F.~~ G. Monies in the fund are exempt from the provisions of section
28 35-190 relating to lapsing of appropriations.

29 Sec. 3. Section 28-9201, Arizona Revised Statutes, is amended to read:
30 28-9201. Minimum safety standards; violation

31 A. As prescribed by 49 United States Code section 5329 OR 5330 and 49
32 Code of Federal Regulations part 659 (1995), the department shall establish,
33 implement and enforce minimum safety standards for light rail transit systems
34 and street car systems in a county with a population of more than five
35 hundred thousand persons.

36 B. THE SAFETY OVERSIGHT RESPONSIBILITIES OF THE DEPARTMENT UNDER THIS
37 SECTION INCLUDE THE AUTHORITY TO:

38 1. REVIEW, APPROVE, OVERSEE AND ENFORCE THE IMPLEMENTATION BY THE RAIL
39 FIXED GUIDEWAY PUBLIC TRANSPORTATION AGENCY OF THIS STATE'S REQUIRED PUBLIC
40 AGENCY SAFETY PLAN RELATING TO ENGINEERING, CONSTRUCTION AND REVENUE
41 SERVICES.

42 2. ENFORCE RELEVANT FEDERAL AND STATE LAWS ON RAIL FIXED GUIDEWAY
43 PUBLIC TRANSPORTATION SAFETY.

44 ~~B.~~ C. If the department discovers a violation of the safety standards
45 prescribed ~~in~~ PURSUANT TO subsection A OF THIS SECTION, the department shall
46 report the violation in writing to the federal transit administration.

1 Sec. 4. Title 35, chapter 2, article 2, Arizona Revised Statutes, is
2 amended by adding section 35-319, to read:

3 35-319. Permanent state trust land fund monies; state board of
4 investment; state treasurer; duties; distributions;
5 mandamus action

6 A. NOTWITHSTANDING ANY OTHER LAW, THE STATE BOARD OF INVESTMENT AND
7 THE STATE TREASURER SHALL TAKE ALL ACTIONS NECESSARY FOR THE DISTRIBUTIONS TO
8 BE MADE PURSUANT TO ARTICLE X, SECTION 7, CONSTITUTION OF ARIZONA, AND
9 SECTIONS 37-521, 37-522, 37-523, 37-524 AND 37-525. THE DISTRIBUTIONS SHALL
10 BE MADE ON THE FIFTEENTH BUSINESS DAY OF EACH MONTH.

11 B. IF THE STATE BOARD OF INVESTMENT OR THE STATE TREASURER FAILS TO
12 PERFORM THE DUTIES PRESCRIBED IN SUBSECTION A OF THIS SECTION, THE GOVERNOR,
13 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES OR THE PRESIDENT OF THE SENATE
14 MAY FILE AN ACTION WITH THE SUPREME COURT TO OBTAIN A WRIT OF MANDAMUS UNDER
15 SECTION 12-2021 OR OTHER APPROPRIATE ACTION TO COMPEL PERFORMANCE OF THE
16 BOARD'S OR TREASURER'S DUTIES. THE SUPREME COURT SHALL EXERCISE ITS
17 JURISDICTION UNDER ARTICLE VI, SECTION 5, SUBSECTION 1, CONSTITUTION OF
18 ARIZONA, AND SECTION 12-2021 AND ISSUE ITS DECISION AS EXPEDITIOUSLY AS
19 PRACTICABLE.

20 Sec. 5. Section 38-714, Arizona Revised Statutes, is amended to read:

21 38-714. Powers and duties of ASRS and board

22 A. ASRS shall have the powers and privileges of a corporation, shall
23 have an official seal and shall transact all business in the name "Arizona
24 state retirement system", and in that name may sue and be sued.

25 B. The board is responsible for supervising the administration of this
26 article by the director of ASRS.

27 C. The board is responsible for the performance of fiduciary duties
28 and other responsibilities required to preserve and protect the retirement
29 trust fund established by section 38-712.

30 D. The board shall not advocate for or against legislation providing
31 for benefit modifications, except that the board shall provide technical and
32 administrative information regarding the impact of benefit modification
33 legislation.

34 E. The board may:

35 1. Determine the rights, benefits or obligations of any person under
36 this article and afford any person dissatisfied with a determination a
37 hearing on the determination.

38 2. Determine the amount, manner and time of payment of any benefits
39 under this article.

40 3. Recommend amendments to this article and articles 2.1 and 7 of this
41 chapter that are required for efficient and effective administration.

42 4. Adopt, amend or repeal rules for the administration of the plan,
43 this article and articles 2.1 and 7 of this chapter.

44 F. Beginning June 30, 2016, the board shall determine which of the
45 generally accepted actuarial cost methods shall be used in the annual
46 actuarial valuation of the plan.

1 G. The board shall submit to the governor and legislature for each
2 fiscal year no later than eight months after the close of the fiscal year a
3 report of its operations and the operations of ASRS. The report shall follow
4 generally accepted accounting principles and generally accepted financial
5 reporting standards and shall include:

6 1. A report on an actuarial valuation of ASRS assets and liabilities.

7 2. Any other statistical and financial data that may be necessary for
8 the proper understanding of the financial condition of ASRS and the results
9 of board operations.

10 3. On request of the governor or the legislature, a list of
11 investments owned. This list shall be provided in AN electronic format.

12 4. AN ESTIMATE OF THE AGGREGATE FEES PAID FOR PRIVATE EQUITY
13 INVESTMENTS, INCLUDING MANAGEMENT FEES AND PERFORMANCE FEES.

14 H. The board shall:

15 1. Prepare and publish a synopsis of the annual report for the
16 information of ASRS members.

17 2. Contract for a study of the mortality, disability, service and
18 other experiences of the members and employers participating in ASRS. The
19 study shall be conducted for fiscal year 1990-1991 and for at least every
20 fifth fiscal year thereafter. A report of the study shall be completed
21 within eight months of the close of the applicable fiscal year and shall be
22 submitted to the governor and the legislature.

23 3. Conduct an annual actuarial valuation of ASRS assets and
24 liabilities.

25 I. The auditor general may make an annual audit of ASRS and transmit
26 the results to the governor and the legislature.

27 Sec. 6. Section 38-848, Arizona Revised Statutes, is amended to read:

28 38-848. Board of trustees; powers and duties; independent trust
29 fund; administrator; agents and employees

30 A. The board of trustees shall consist of seven members and shall have
31 the rights, powers and duties that are set forth in this section. The term
32 of office of members shall be five years to expire on the third Monday in
33 January of the appropriate year. Members are eligible to receive
34 compensation in an amount of fifty dollars a day, but not to exceed one
35 thousand dollars in any one fiscal year, and are eligible for reimbursement
36 of expenses pursuant to chapter 4, article 2 of this title. The board
37 consists of the following members appointed by the governor pursuant to
38 section 38-211:

39 1. Two elected members from a local board to represent the employees.

40 2. One member to represent this state as an employer of public safety
41 personnel. This member shall have the qualifications prescribed in
42 subsection T of this section.

43 3. One member to represent the cities as employers of public safety
44 personnel.

45 4. An elected county or state official or a judge of the superior
46 court, court of appeals or supreme court.

1 5. Two public members. These members shall have the qualifications
2 prescribed in subsection T of this section.

3 B. All monies in the fund shall be deposited and held in a public
4 safety personnel retirement system depository. Monies in the fund shall be
5 disbursed from the depository separate and apart from all monies or funds of
6 this state and the agencies, instrumentalities and subdivisions of this
7 state, except that the board may commingle the assets of the fund and the
8 assets of all other plans entrusted to its management in one or more group
9 trusts, subject to the crediting of receipts and earnings and charging of
10 payments to the appropriate employer, system or plan. The monies shall be
11 secured by the depository in which they are deposited and held to the same
12 extent and in the same manner as required by the general depository law of
13 this state. For purposes of making the decision to invest in securities
14 owned by the fund or any plan or trust administered by the board, the fund
15 and assets of the plans and the plans' trusts are subject to the sole
16 management of the board for the purpose of this article except that, on the
17 board's election to invest in a particular security or make a particular
18 investment, the assets comprising the security or investment may be chosen
19 and managed by third parties approved by the board. The board may invest in
20 portfolios of securities chosen and managed by a third party. The board's
21 decision to invest in securities such as mutual funds, commingled investment
22 funds, exchange traded funds, private equity or venture capital limited
23 partnerships, real estate limited partnerships or limited liability companies
24 and real estate investment trusts whose assets are chosen and managed by
25 third parties does not constitute an improper delegation of the board's
26 investment authority.

27 C. All contributions under this system and other retirement plans that
28 the board administers shall be forwarded to the board and shall be held,
29 invested and reinvested by the board as provided in this article. All
30 property and monies of the fund and other retirement plans that the board
31 administers, including income from investments and from all other sources,
32 shall be retained for the exclusive benefit of members, as provided in the
33 system and other retirement plans that the board administers, and shall be
34 used to pay benefits to members or their beneficiaries or to pay expenses of
35 operation and administration of the system and fund and other retirement
36 plans that the board administers.

37 D. The board shall have the full power in its sole discretion to
38 invest and reinvest, alter and change the monies accumulated under the system
39 and other retirement plans and trusts that the board administers as provided
40 in this article. In addition to its power to make investments managed by
41 others, the board may delegate the authority the board deems necessary and
42 prudent to investment management pursuant to section 38-848.03, as well as to
43 the administrator, employed by the board pursuant to subsection K, paragraph
44 6 of this section, and any assistant administrators to invest the monies of
45 the system and other retirement plans and trusts that the board administers
46 if the administrator, investment management and any assistant administrators

1 follow the investment policies that are adopted by the board. The board may
2 commingle securities and monies of the fund, the elected officials'
3 retirement plan, the corrections officer retirement plan and other plans or
4 monies entrusted to its care, subject to the crediting of receipts and
5 earnings and charging of payments to the account of the appropriate employer,
6 system or plan. In making every investment, the board shall exercise the
7 judgment and care under the circumstances then prevailing that persons of
8 ordinary prudence, discretion and intelligence exercise in the management of
9 their own affairs, not in regard to speculation but in regard to the
10 permanent disposition of their funds, considering the probable income from
11 their funds as well as the probable safety of their capital, provided:

12 1. That not more than eighty ~~per-cent~~ PERCENT of the combined assets
13 of the system or other plans that the board manages shall be invested at any
14 given time in corporate stocks, based on cost value of such stocks
15 irrespective of capital appreciation.

16 2. That no more than five ~~per-cent~~ PERCENT of the combined assets of
17 the system or other plans that the board manages shall be invested in
18 corporate stock issued by any one corporation, other than corporate stock
19 issued by corporations chartered by the United States government or corporate
20 stock issued by a bank or insurance company.

21 3. That not more than five ~~per-cent~~ PERCENT of the voting stock of any
22 one corporation shall be owned by the system and other plans that the board
23 administers, except that this limitation does not apply to membership
24 interests in limited liability companies.

25 4. That corporate stocks and exchange traded funds eligible for direct
26 purchase shall be restricted to stocks and exchange traded funds that, except
27 for bank stocks, insurance stocks, stocks acquired for coinvestment in
28 connection with the system's or the plans' or trusts' commingled investments
29 and interests in limited liability companies and mutual funds, are either:

30 (a) Listed or approved on issuance for listing on an exchange
31 registered under the securities exchange act of 1934, as amended (15 United
32 States Code sections 78a through 7811).

33 (b) Designated or approved on notice of issuance for designation on
34 the national market system of a national securities association registered
35 under the securities exchange act of 1934, as amended (15 United States Code
36 sections 78a through 7811).

37 (c) Listed or approved on issuance for listing on an exchange
38 registered under the laws of this state or any other state.

39 (d) Listed or approved on issuance for listing on an exchange of a
40 foreign country with which the United States is maintaining diplomatic
41 relations at the time of purchase, except that no more than twenty ~~per-cent~~
42 PERCENT of the combined assets of the system and other plans that the board
43 manages shall be invested in foreign securities, based on the cost value of
44 the stocks irrespective of capital appreciation.

45 (e) An exchange traded fund that is recommended by the chief
46 investment officer of the system, that is registered under the investment

1 company act of 1940 (15 United States Code sections 80a-1 through 80a-64) and
2 that is both traded on a public exchange and based on a publicly recognized
3 index.

4 E. Notwithstanding any other law, the board shall not be required to
5 invest in any type of investment that is dictated or required by any entity
6 of the federal government and that is intended to fund economic development
7 projects, public works or social programs, but may consider such economically
8 targeted investments pursuant to its fiduciary responsibility. The board, on
9 behalf of the system and all other plans or trusts the board administers, may
10 invest in, lend monies to or guarantee the repayment of monies by a limited
11 liability company, limited partnership, joint venture, partnership, limited
12 liability partnership or trust in which the system and plans or trusts have a
13 financial interest, whether the entity is closely held or publicly traded and
14 that, in turn, may be engaged in any lawful activity, including venture
15 capital, private equity, the ownership, development, management, improvement
16 or operation of real property and any improvements or businesses on real
17 property or the lending of monies.

18 F. Conference call meetings of the board that are held for investment
19 purposes only are not subject to chapter 3, article 3.1 of this title, except
20 that the board shall maintain minutes of these conference call meetings and
21 make them available for public inspection within twenty-four hours after the
22 meeting. The board shall review the minutes of each conference call meeting
23 and shall ratify all legal actions taken during each conference call meeting
24 at the next scheduled meeting of the board.

25 G. The board shall not be held liable for the exercise of more than
26 ordinary care and prudence in the selection of investments and performance of
27 its duties under the system and shall not be limited to so-called "legal
28 investments for trustees", but all monies of the system and other plans that
29 the board administers shall be invested subject to all of the conditions,
30 limitations and restrictions imposed by law.

31 H. Except as provided in subsection D of this section, the board may:

32 1. Invest and reinvest the principal and income of all assets that the
33 board manages without distinction between principal and income.

34 2. Sell, exchange, convey, transfer or otherwise dispose of any
35 investments made on behalf of the system or other plans the board administers
36 in the name of the system or plans by private contract or at public auction.

37 3. Also:

38 (a) Vote on any stocks, bonds or other securities.

39 (b) Give general or special proxies or powers of attorney with or
40 without power of substitution.

41 (c) Exercise any conversion privileges, subscription rights or other
42 options and make any payments incidental to the exercise of the conversion
43 privileges, subscription rights or other options.

44 (d) Consent to or otherwise participate in corporate reorganizations
45 or other changes affecting corporate securities, delegate discretionary
46 powers and pay any assessments or charges in connection therewith.

1 (e) Generally exercise any of the powers of an owner with respect to
2 stocks, bonds, securities or other investments held in or owned by the system
3 or other plans whose assets the board administers.

4 4. Make, execute, acknowledge and deliver any other instruments that
5 may be necessary or appropriate to carry out the powers granted in this
6 section.

7 5. Register any investment held by the system or other plans whose
8 assets the board administers in the name of the system or plan or in the name
9 of a nominee or trust.

10 6. At the expense of the system or other plans that the board
11 administers, enter into an agreement with any bank or banks for the
12 safekeeping and handling of securities and other investments coming into the
13 possession of the board. The agreement shall be entered into under terms and
14 conditions that secure the proper safeguarding, inventory, withdrawal and
15 handling of the securities and other investments. No access to and no
16 deposit or withdrawal of the securities from any place of deposit selected by
17 the board shall be permitted or made except as the terms of the agreement may
18 provide.

19 7. Appear before local boards and the courts of this state and
20 political subdivisions of this state through counsel or appointed
21 representative to protect the fund or the assets of other plans that the
22 board administers. The board is not responsible for the actions or omissions
23 of the local boards under this system but may seek A review or rehearing of
24 actions or omissions of local boards. The board does not have a duty to
25 review actions of the local boards but may do so in its discretion in order
26 to protect the fund. No limitations period precludes the board or
27 administrator from contesting, or requires the board or administrator to
28 implement or comply with, a local board decision that violates the internal
29 revenue code or that threatens to impair the tax qualified status of the
30 system or any plan administered by the board or administrator.

31 8. Empower the fund administrator to take actions on behalf of the
32 board that are necessary for the protection and administration of the fund or
33 the assets of other plans that the board administers pursuant to the
34 guidelines of the board.

35 9. Do all acts, whether or not expressly authorized, that may be
36 deemed necessary or proper for the protection of the investments held in the
37 fund or owned by other plans or trusts that the board administers.

38 10. Settle threatened or actual litigation against any system or plan
39 that the board administers.

40 I. Investment expenses and operation and administrative expenses of
41 the board shall be accounted for separately and allocated against investment
42 income.

43 J. The board, as soon as possible within a period of six months
44 following the close of any fiscal year, shall transmit to the governor and
45 the legislature a comprehensive annual financial report on the operation of

- 1 the system and other plans that the board administers containing, among other
2 things:
- 3 1. A balance sheet.
 - 4 2. A statement of income and expenditures for the year.
 - 5 3. A report on an actuarial valuation of its assets and liabilities.
 - 6 4. A list of investments owned.
 - 7 5. The total rate of return, yield on cost, and ~~per-cent~~ PERCENT of
8 cost to market value of the fund and the assets of other plans that the board
9 administers.
 - 10 6. Any other statistical and financial data that may be necessary for
11 the proper understanding of the financial condition of the system and other
12 plans that the board administers and the results of their operations. A
13 synopsis of the annual report shall be published for the information of
14 members of the system, the elected officials' retirement plan or the
15 corrections officer retirement plan.
 - 16 7. An analysis of the long-term level ~~per-cent~~ PERCENT of employer
17 contributions and compensation structure and whether the funding methodology
18 is sufficient to pay one hundred ~~per-cent~~ PERCENT of the unfunded accrued
19 liability under the elected officials' retirement plan.
 - 20 8. An estimate of the aggregate employer contribution rate for the
21 public safety personnel retirement system for the next ten fiscal years and
22 an estimate of the aggregate employer contribution rate for the corrections
23 officer retirement plan for the next ten fiscal years.
 - 24 9. An estimate of the employer contribution rates for the next ten
25 fiscal years for each of the following employers within the public safety
26 personnel retirement system:
 - 27 (a) Department of liquor licenses and control.
 - 28 (b) Department of public safety.
 - 29 (c) Northern Arizona university.
 - 30 (d) University of Arizona.
 - 31 (e) Arizona state university.
 - 32 (f) Arizona game and fish department.
 - 33 (g) Department of law.
 - 34 (h) Department of emergency and military affairs.
 - 35 (i) Arizona state parks board.
 - 36 10. An estimate of the employer contribution rates for the next ten
37 fiscal years for each of the following employers within the corrections
38 officer retirement plan:
 - 39 (a) State department of corrections.
 - 40 (b) Department of public safety.
 - 41 (c) The judiciary.
 - 42 (d) Department of juvenile corrections.
 - 43 11. AN ESTIMATE OF THE AGGREGATE FEES PAID FOR PRIVATE EQUITY
44 INVESTMENTS, INCLUDING MANAGEMENT FEES AND PERFORMANCE FEES.
 - 45 K. The board shall:

- 1 1. Maintain the accounts of the system and other plans that the board
2 administers and issue statements to each employer annually and to each member
3 who may request it.
- 4 2. Report the results of the actuarial valuations to the local boards
5 and employers.
- 6 3. Contract on a fee basis with an independent investment counsel to
7 advise the board in the investment management of the fund and assets of other
8 plans that the board administers and with an independent auditing firm to
9 audit the board's accounting.
- 10 4. Permit the auditor general to make an annual audit and TRANSMIT the
11 results ~~shall be transmitted~~ to the governor and the legislature.
- 12 5. Contract on a fee basis with an actuary who shall make actuarial
13 valuations of the system and other plans that the board administers, be the
14 technical adviser of the board on matters regarding the operation of the
15 funds created by the provisions of the system, the elected officials'
16 retirement plan, the corrections officer retirement plan and the firefighter,
17 peace officer and corrections officer cancer insurance policy program and
18 perform other duties required in connection therewith. The actuary must be a
19 member of a nationally recognized association or society of actuaries.
- 20 6. Employ, as administrator, a person, state department or other body
21 to serve at the pleasure of the board.
- 22 7. Establish procedures and guidelines for contracts with actuaries,
23 auditors, investment counsel and legal counsel and for safeguarding of
24 securities.
- 25 L. The administrator, under the direction of the board, shall:
26 1. Administer this article.
27 2. Be responsible for the recruitment, hiring and day-to-day
28 management of employees.
- 29 3. Invest the ~~funds~~ MONIES of the system and other plans that the
30 board administers as the board deems necessary and prudent as provided in
31 subsections D and H of this section and subject to the investment policies
32 and fund objectives adopted by the board.
- 33 4. Establish and maintain an adequate system of accounts and records
34 for the system and other plans that the board administers, which shall be
35 integrated with the accounts, records and procedures of the employers so that
36 the system and other plans that the board administers operates most
37 effectively and at minimum expense and that duplication of records and
38 accounts is avoided.
- 39 5. In accordance with the board's governance policy and procedures and
40 the budget adopted by the board, hire such employees and services the
41 administrator deems necessary and prescribe their duties, including the
42 hiring of one or more assistant administrators to manage the system's
43 operations, investments and legal affairs.
- 44 6. Be responsible for income, the collection of the income and the
45 accuracy of all expenditures.

1 7. Recommend to the board annual contracts for the system's actuary,
2 auditor, investment counsel, legal counsel and safeguarding of securities.

3 8. Perform additional duties and powers prescribed by the board and
4 delegated to the administrator.

5 M. The system is an independent trust fund and the board is not
6 subject to title 41, chapter 6. Contracts for goods and services approved by
7 the board are not subject to title 41, chapter 23. As an independent trust
8 fund whose assets are separate and apart from all other ~~funds~~ MONIES of this
9 state, the system and the board are not subject to the restrictions
10 prescribed in section 35-154 or article IX, sections 5 and 8, Constitution of
11 Arizona. Loans, guarantees, investment management agreements and investment
12 contracts that are entered into by the board are contracts memorializing
13 obligations or interests in securities that the board has concluded, after
14 thorough due diligence, do not involve investments in Sudan or Iran or
15 otherwise provide support to terrorists or in any way facilitate illegal
16 immigration into the United States. These contracts do not involve the
17 procurement, supply or provision of goods, equipment, labor, materials or
18 services that would require the warranties required by section 41-4401.

19 N. The board, the administrator, the assistant administrators and all
20 persons employed by them are subject to title 41, chapter 4, article 4. The
21 administrator, assistant administrators and other employees of the board are
22 entitled to receive compensation pursuant to section 38-611.

23 O. In consultation with the director of the department of
24 administration, the board may enter into employment agreements and establish
25 the terms of those agreements with persons holding any of the following
26 system positions:

- 27 1. Administrator.
- 28 2. Deputy or assistant administrator.
- 29 3. Chief investment officer.
- 30 4. Deputy chief investment officer.
- 31 5. Fiduciary or investment counsel.

32 P. The attorney general or an attorney approved by the attorney
33 general and paid by the fund shall be the attorney for the board and shall
34 represent the board in any legal proceeding or forum that the board deems
35 appropriate. The board, administrator, assistant administrators and
36 employees of the board are not personally liable for any acts done in their
37 official capacity in good faith reliance on the written opinions of the
38 board's attorney.

39 Q. At least once in each five-year period after the effective date,
40 the actuary shall make an actuarial investigation into the mortality, service
41 and compensation experience of the members and beneficiaries of the system
42 and other plans that the board administers and shall make a special valuation
43 of the assets and liabilities of the monies of the system and plans. Taking
44 into account the results of the investigation and special valuation, the
45 board shall adopt for the system and other plans that the board administers
46 those mortality, service and other tables deemed necessary.

1 R. On the basis of the tables the board adopts, the actuary shall make
2 a valuation of the assets and liabilities of the funds of the system and
3 other plans that the board administers not less frequently than every year.
4 By November 1 of each year the board shall provide a preliminary report and
5 by December 15 of each year provide a final report to the governor, the
6 speaker of the house of representatives and the president of the senate on
7 the contribution rate for the ensuing fiscal year.

8 S. Neither the board nor any member or employee of the board shall
9 directly or indirectly, for himself or as an agent, in any manner use the
10 monies or deposits of the fund except to make current and necessary payments,
11 nor shall the board or any member or employee become an endorser or surety or
12 in any manner an obligor for monies loaned by or borrowed from the fund or
13 the assets of any other plans that the board administers.

14 T. The members of the board who are appointed pursuant to subsection
15 A, paragraphs 2 and 5 of this section shall have at least ten years'
16 substantial experience as any one or a combination of the following:

17 1. A portfolio manager acting in a fiduciary capacity.

18 2. A securities analyst.

19 3. An employee or principal of a trust institution, investment
20 organization or endowment fund acting either in a management or an investment
21 related capacity.

22 4. A chartered financial analyst in good standing as determined by the
23 association for investment management and research.

24 5. A professor at the university level teaching economics or
25 investment related subjects.

26 6. An economist.

27 7. Any other professional engaged in the field of public or private
28 finances.

29 U. Financial or commercial information that is provided to the board,
30 employees of the board and attorneys of the board in connection with
31 investments in which the board has invested or investments the board has
32 considered for investment is confidential, proprietary and not a public
33 record if the information is information that would customarily not be
34 released to the public by the person or entity from whom the information was
35 obtained.

36 Sec. 7. Laws 2014, chapter 251, section 1 is amended to read:

37 Section 1. Supplemental appropriation; Arizona medical board;
38 credentials verification; contract; exemption;
39 prohibition

40 A. In addition to any other monies appropriated for fiscal year
41 2013-2014, the sum of \$855,000 is appropriated from the Arizona medical board
42 fund established by section 32-1406, Arizona Revised Statutes, in fiscal year
43 2013-2014 to the Arizona medical board to contract with an in-state
44 credentials verification service for health professions to review all initial
45 applications received by the board from October 1, 2011 through February 5,
46 2014. In the contract, the board shall outline the components required for a

1 completed application and authorize the contractor to request any necessary
2 additional documentation from the licensee or applicant. The contract
3 specified in this subsection is not subject to title 41, chapter 23, Arizona
4 Revised Statutes.

5 B. The Arizona medical board may also expend the monies appropriated
6 in subsection A of this section in fiscal ~~year~~ YEARS 2014-2015 AND
7 2015-2016. THE ARIZONA MEDICAL BOARD MAY NOT EXPEND MONIES APPROPRIATED IN
8 SUBSECTION A OF THIS SECTION FROM AND AFTER JUNE 30, 2016.

9 C. NOTWITHSTANDING SECTION 35-191, ARIZONA REVISED STATUTES, A CLAIM
10 ARISING OUT OF CONTRACT PRESCRIBED IN SUBSECTION A OF THIS SECTION IS NOT
11 SUBJECT TO ADMINISTRATIVE ADJUSTMENT FROM AND AFTER JUNE 30, 2016.

12 Sec. 8. Supplemental appropriation; emergency management
13 assistance compact revolving fund; authorization for
14 declaration of disaster

15 A. The sum of \$300,000 is appropriated from the state general fund in
16 fiscal year 2015-2016 to the emergency management assistance compact
17 revolving fund established by section 26-403, Arizona Revised Statutes, as
18 added by this act.

19 B. Notwithstanding any other law, the allowable authorization
20 prescribed in section 35-192, subsection F, Arizona Revised Statutes, for
21 fiscal year 2015-2016 is reduced by the sum of \$300,000.

22 Sec. 9. Intent

23 It is the intent of the legislature that if the Proposition 123
24 education funding proposal is approved by the voters at the special election
25 conducted on May 17, 2016, the state treasurer shall fully implement the
26 funding proposal as directed by the voters of this state.

27 Sec. 10. Retroactivity

28 A. Laws 2014, chapter 251, section 1, as amended by this act, applies
29 retroactively to from and after June 30, 2015.

30 B. Section 26-403, Arizona Revised Statutes, as added by this act, is
31 effective retroactively to from and after May 1, 2016.

APPROVED BY THE GOVERNOR MAY 10, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2016.