

REFERENCE TITLE: ASRS; investment contracts

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

HB 2080

Introduced by
Representative Livingston

AN ACT

AMENDING SECTION 38-718, 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 managers: general powers and duties:
5 investment of monies; limitations

6 A. A financial institution serving as an investment manager does
7 not have a conflict of interest because it is also a depository in which
8 ASRS monies are deposited.

9 B. The board shall appoint and may remove multiple investment
10 managers to invest and reinvest the assets of ASRS. The board may
11 authorize the director to retain and manage staff to make investments as
12 an investment manager.

13 C. An investment manager shall be qualified to make the type of
14 investments for which the investment manager is appointed.

15 D. The board shall:

16 1. Prescribe investment goals and policies that are consistent with
17 the purposes of this article and the limitations and standard of care
18 prescribed in this section.

19 2. Allocate assets and use investment strategies to meet the
20 investment goals and policies ASRS prescribes.

21 3. Adopt specific directives for the guidance of investment
22 managers.

23 4. Review the performance of each investment manager at least
24 annually or at the request of a board member.

25 5. Prescribe investment diversification programs and assign
26 investment manager responsibilities regarding those programs as it deems
27 appropriate to achieve its investment goals, objectives and policies.

28 E. An investment manager shall discharge the duties of the position
29 with the care, skill, prudence and diligence under the circumstances then
30 prevailing that a prudent person acting in a like capacity and familiar
31 with the same matters would use in the conduct of an enterprise of a like
32 character and with like aims as that of ASRS.

33 F. An investment manager may invest and reinvest in the name of
34 ASRS all ASRS monies assigned to the investment manager and shall purchase
35 and sell in the name of ASRS any of the securities and investments held by
36 ASRS under this article. An investment manager may hold, purchase, sell,
37 assign, loan, borrow, transfer and dispose of any of the securities and
38 investments in which any of its account monies are invested, subject to
39 the specific directives determined by ASRS. An investment manager shall
40 redeposit the proceeds of sales, maturities and calls in the ASRS
41 depository.

42 G. The director may enter into security loan agreements with one or
43 more security lending entities.

44 H. No more than eighty ~~per cent~~ PERCENT of ASRS assets may be
45 invested at any given time in equities, measured at market value.

1 I. No more than forty ~~per cent~~ PERCENT of ASRS assets may be
2 invested in non-United States public investments, measured at market
3 value.

4 J. No more than sixty ~~per cent~~ PERCENT of ASRS assets may be
5 invested internally, measured at market value.

6 K. No more than five ~~per cent~~ PERCENT of ASRS assets may be
7 invested in securities issued by any one institution, agency or
8 corporation, other than securities issued as direct obligations of or
9 fully guaranteed by the United States government or mortgage backed
10 securities and agency debentures issued by federal agencies, measured at
11 market value.

12 L. No more than ten ~~per cent~~ PERCENT of ASRS assets may be invested
13 in bonds or other evidences of indebtedness of those multinational
14 development banks in which the United States is a member nation, including
15 the international bank for reconstruction and development, the African
16 development bank, the Asian development bank and the inter-American
17 development bank, measured at market value.

18 M. If a limitation in subsection H, I, J, K or L of this section is
19 reached, ASRS is not required to sell assets, but shall not make any
20 further investments of that type until the limit is no longer exceeded.

21 N. Notwithstanding any other law, an investment manager is not
22 required to invest in any type of investment that is intended to fund
23 economic development projects, public works or social programs but may
24 consider such economically targeted investments pursuant to its fiduciary
25 responsibility.

26 O. ASRS MAY ENTER INTO CONTRACTS USED DIRECTLY FOR
27 INVESTMENT-RELATED SERVICES for the ~~purpose~~ PURPOSES of exercising the
28 investment responsibilities prescribed in this ~~section, the board may~~
29 ~~enter into contracts to receive market data and other market information~~
30 ~~from securities, commodities, options and monetary exchanges~~ ARTICLE AND
31 ARTICLE 2.1 OF THIS CHAPTER. These contracts may be interpreted and
32 enforced under the laws of a jurisdiction other than this state and are
33 not subject to ~~section 35-214 or 38-511 or~~ title 41, chapter 23.

34 P. Proprietary commercial information that is provided to the
35 board, director, investment manager, employees of the director and
36 attorneys of the board or the director relating to investments in which an
37 investment manager has invested or has considered for investment is
38 confidential and not a public record if the information is information
39 that customarily would not be released to the public by the person or
40 entity from whom the information was obtained.