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JANICE K. BREWER
SECRETARY OF STATE

State of Arizona
House of Representatives
Forty-eighth Legislature
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2007

CHAPTER 270

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)

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

Section 1. Section 38-718, Arizona Revised Statutes, is amended to read:

38-718. Investment management; qualifications; term; removal; general powers and duties; confidentiality of proprietary information

A. The board shall appoint investment management. Investment management shall have:

1. The highest professional and fiduciary recommendations.

2. Not less than three years' experience at handling institutional investments of at least two hundred fifty million dollars ~~and not less than two hundred fifty million dollars currently under management~~. This paragraph is satisfied if investment management, ~~or~~ the individual retained by investment management OR INDIVIDUAL EMPLOYEES WITHIN A FIRM ~~meets~~ MEET this requirement.

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

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

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

D. Investment management:

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

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

3. Shall be multiple.

E. Investment management shall not directly or indirectly:

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

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

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

F. Subject to the limitations in section 38-719, the board may authorize the director to make investments that are designated by the board

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

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

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

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

38-719. Investment of monies; limitations

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

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

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

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

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

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

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

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

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

APPROVED BY THE GOVERNOR JULY 2, 2007.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JULY 2, 2007.