House Engrossed

FILED
MICHELE REAGAN
SECRETARY OF STATE

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)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 3. Section 28-9201, Arizona Revised Statutes, is amended to read:

28-9201. Minimum safety standards; violation

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

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

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

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

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

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

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

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

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

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

38-714. Powers and duties of ASRS and board

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

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

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

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

E. The board may:

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

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

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

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

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

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

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

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

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

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

H. The board shall:

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

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

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

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

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

38-848. <u>Board of trustees; powers and duties; independent trust fund; administrator; agents and employees</u>

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

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

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

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

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

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

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

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

D. The board shall have the full power in its sole discretion to invest and reinvest, alter and change the monies accumulated under the system and other retirement plans and trusts that the board administers as provided in this article. In addition to its power to make investments managed by others, the board may delegate the authority the board deems necessary and prudent to investment management pursuant to section 38-848.03, as well as to the administrator, employed by the board pursuant to subsection K, paragraph 6 of this section, and any assistant administrators to invest the monies of the system and other retirement plans and trusts that the board administers if the administrator, investment management and any assistant administrators follow the investment policies that are adopted by the board. The board may commingle securities and monies of the fund, the elected officials' retirement plan, the corrections officer retirement plan and other plans or monies entrusted to its care, subject to the crediting of receipts and earnings and charging of payments to the account of the appropriate employer, system or plan. In making every investment, the board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income from their funds as well as the probable safety of their capital, provided:

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

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

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

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

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

(b) Designated or approved on notice of issuance for designation on the national market system of a national securities association registered

under the securities exchange act of 1934, as amended (15 United States Code sections 78a through 78ll).

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

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

(e) An exchange traded fund that is recommended by the chief investment officer of the system, that is registered under the investment company act of 1940 (15 United States Code sections 80a-1 through 80a-64) and that is both traded on a public exchange and based on a publicly recognized index.

E. Notwithstanding any other law, the board 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. The board, on behalf of the system and all other plans or trusts the board administers, may invest in, lend monies to or guarantee the repayment of monies by a limited liability company, limited partnership, joint venture, partnership, limited liability partnership or trust in which the system and plans or trusts have a financial interest, whether the entity is closely held or publicly traded and that, in turn, may be engaged in any lawful activity, including venture capital, private equity, the ownership, development, management, improvement or operation of real property and any improvements or businesses on real property or the lending of monies.

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

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

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

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

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

3. Also:

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

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

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

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

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

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

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

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

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

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

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

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

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

J. The board, as soon as possible within a period of six months following the close of any fiscal year, shall transmit to the governor and the legislature a comprehensive annual financial report on the operation of the system and other plans that the board administers containing, among other things:

1. A balance sheet.

2. A statement of income and expenditures for the year.

3. A report on an actuarial valuation of its assets and liabilities.

4. A list of investments owned.

5. The total rate of return, yield on cost, and ~~per cent~~ PERCENT of cost to market value of the fund and the assets of other plans that the board administers.

6. Any other statistical and financial data that may be necessary for the proper understanding of the financial condition of the system and other plans that the board administers and the results of their operations. A synopsis of the annual report shall be published for the information of members of the system, the elected officials' retirement plan or the corrections officer retirement plan.

7. An analysis of the long-term level ~~per cent~~ PERCENT of employer contributions and compensation structure and whether the funding methodology is sufficient to pay one hundred ~~per cent~~ PERCENT of the unfunded accrued liability under the elected officials' retirement plan.

8. An estimate of the aggregate employer contribution rate for the public safety personnel retirement system for the next ten fiscal years and an estimate of the aggregate employer contribution rate for the corrections officer retirement plan for the next ten fiscal years.

9. An estimate of the employer contribution rates for the next ten fiscal years for each of the following employers within the public safety personnel retirement system:

(a) Department of liquor licenses and control.

(b) Department of public safety.

(c) Northern Arizona university.

(d) University of Arizona.
(e) Arizona state university.
(f) Arizona game and fish department.
(g) Department of law.
(h) Department of emergency and military affairs.
(i) Arizona state parks board.

10. An estimate of the employer contribution rates for the next ten fiscal years for each of the following employers within the corrections officer retirement plan:

(a) State department of corrections.
(b) Department of public safety.
(c) The judiciary.
(d) Department of juvenile corrections.

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

K. The board shall:

1. Maintain the accounts of the system and other plans that the board administers and issue statements to each employer annually and to each member who may request it.

2. Report the results of the actuarial valuations to the local boards and employers.

3. Contract on a fee basis with an independent investment counsel to advise the board in the investment management of the fund and assets of other plans that the board administers and with an independent auditing firm to audit the board's accounting.

4. Permit the auditor general to make an annual audit and TRANSMIT the results ~~shall be transmitted~~ to the governor and the legislature.

5. Contract on a fee basis with an actuary who shall make actuarial valuations of the system and other plans that the board administers, be the technical adviser of the board on matters regarding the operation of the funds created by the provisions of the system, the elected officials' retirement plan, the corrections officer retirement plan and the firefighter, peace officer and corrections officer cancer insurance policy program and perform other duties required in connection therewith. The actuary must be a member of a nationally recognized association or society of actuaries.

6. Employ, as administrator, a person, state department or other body to serve at the pleasure of the board.

7. Establish procedures and guidelines for contracts with actuaries, auditors, investment counsel and legal counsel and for safeguarding of securities.

L. The administrator, under the direction of the board, shall:

1. Administer this article.

2. Be responsible for the recruitment, hiring and day-to-day management of employees.

3. Invest the ~~funds~~ MONIES of the system and other plans that the board administers as the board deems necessary and prudent as provided in subsections D and H of this section and subject to the investment policies and fund objectives adopted by the board.

4. Establish and maintain an adequate system of accounts and records for the system and other plans that the board administers, which shall be integrated with the accounts, records and procedures of the employers so that the system and other plans that the board administers operates most effectively and at minimum expense and that duplication of records and accounts is avoided.

5. In accordance with the board's governance policy and procedures and the budget adopted by the board, hire such employees and services the administrator deems necessary and prescribe their duties, including the hiring of one or more assistant administrators to manage the system's operations, investments and legal affairs.

6. Be responsible for income, the collection of the income and the accuracy of all expenditures.

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

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

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

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

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

1. Administrator.

2. Deputy or assistant administrator.

3. Chief investment officer.
4. Deputy chief investment officer.
5. Fiduciary or investment counsel.

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

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

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

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

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

1. A portfolio manager acting in a fiduciary capacity.
2. A securities analyst.
3. An employee or principal of a trust institution, investment organization or endowment fund acting either in a management or an investment related capacity.
4. A chartered financial analyst in good standing as determined by the association for investment management and research.
5. A professor at the university level teaching economics or investment related subjects.
6. An economist.

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

U. Financial or commercial information that is provided to the board, employees of the board and attorneys of the board in connection with investments in which the board has invested or investments the board has considered for investment is confidential, proprietary 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. 7. Laws 2014, chapter 251, section 1 is amended to read:

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

A. In addition to any other monies appropriated for fiscal year 2013-2014, the sum of $855,000 is appropriated from the Arizona medical board fund established by section 32-1406, Arizona Revised Statutes, in fiscal year 2013-2014 to the Arizona medical board to contract with an in-state credentials verification service for health professions to review all initial applications received by the board from October 1, 2011 through February 5, 2014. In the contract, the board shall outline the components required for a completed application and authorize the contractor to request any necessary additional documentation from the licensee or applicant. The contract specified in this subsection is not subject to title 41, chapter 23, Arizona Revised Statutes.

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

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

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

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

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

1 Sec. 9. Intent
2 It is the intent of the legislature that if the Proposition 123
3 education funding proposal is approved by the voters at the special election
4 conducted on May 17, 2016, the state treasurer shall fully implement the
5 funding proposal as directed by the voters of this state.
6 Sec. 10. Retroactivity
7 A. Laws 2014, chapter 251, section 1, as amended by this act, applies
8 retroactively to from and after June 30, 2015.
9 B. Section 26-403, Arizona Revised Statutes, as added by this act, is
10 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.

Passed the House May 3, 2016

by the following vote: 35 Ayes,

24 Nays, 1 Not Voting

Speaker of the House

☑ Pro Tempore

Jim Drake

Chief Clerk of the House

Passed the Senate May 3, 2016

by the following vote: 18 Ayes,

12 Nays, 0 Not Voting

President of the Senate

Susan Chaves

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

4th day of May, 2016

at 1:31 o'clock A. M.

Secretary to the Governor

Approved this 10th day of

May

at 8:51 o'clock A. M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 10th day of May, 2016

at 11:31 o'clock A M.

Michele Reagan

Secretary of State

H.B. 2703