

Senate Engrossed House Bill

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

FILED
MICHELE REAGAN
SECRETARY OF STATE

CHAPTER 178

HOUSE BILL 2074

AN ACT

AMENDING SECTIONS 12-820.02, 38-641, 38-642, 38-643, 38-644, 38-645 AND 38-848, ARIZONA REVISED STATUTES; RELATING TO PUBLIC SAFETY EMPLOYEES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 12-820.02, Arizona Revised Statutes, is amended to
3 read:

4 12-820.02. Qualified immunity

5 A. Unless a public employee acting within the scope of the public
6 employee's employment intended to cause injury or was grossly negligent,
7 neither a public entity nor a public employee is liable for:

8 1. The failure to make an arrest or the failure to retain an arrested
9 person in custody.

10 2. An injury caused by an escaping or escaped prisoner or a youth
11 committed to the department of juvenile corrections.

12 3. An injury resulting from the probation, community supervision or
13 discharge of a prisoner or a youth committed to the department of juvenile
14 corrections, from the terms and conditions of the prisoner's or youth's
15 probation or community supervision or from the revocation of the prisoner's
16 or youth's probation, community supervision or conditional release under the
17 psychiatric security review board.

18 4. An injury caused by a prisoner to any other prisoner or an injury
19 caused by a youth committed to the department of juvenile corrections to any
20 other committed youth.

21 5. The issuance of or failure to revoke or suspend any permit,
22 license, certificate, approval, order or similar authorization for which
23 absolute immunity is not provided pursuant to section 12-820.01.

24 6. The failure to discover violations of any provision of law when
25 inspections are done of property other than property owned by the public
26 entity in question.

27 7. An injury to the driver of a motor vehicle that is attributable to
28 the violation by the driver of section 28-693, 28-1381 or 28-1382.

29 8. The failure to prevent the sale or transfer of a handgun to a
30 person whose receipt or possession of the handgun is unlawful under any
31 federal law or any law of this state.

32 9. Preventing the sale or transfer of a handgun to a person who may
33 lawfully receive or possess a handgun.

34 10. The failure to detain a juvenile taken into temporary custody or
35 arrested for a criminal offense or delinquent or incorrigible act in the
36 appropriate detention facility, jail or lockup described in section 8-305.

37 11. AN INJURY CAUSED BY A PEACE OFFICER IF THE INJURY WAS CAUSED BY ANY
38 ACT OR OMISSION WHILE RENDERING EMERGENCY CARE AT THE SCENE OF AN EMERGENCY
39 OCCURRENCE.

40 B. The qualified immunity provided in this section applies to a public
41 entity or public employee if the injury or damage was caused by a
42 contractor's employee or a contractor of a public entity acting within the
43 scope of the contract. The qualified immunity provided in this section does
44 not apply to the contractor or the contractor's employee.

1 Sec. 2. Heading change

2 The article heading of title 38, chapter 4, article 3, Arizona Revised
3 Statutes, is changed from "FIREFIGHTER, PEACE OFFICER AND CORRECTIONS OFFICER
4 CANCER INSURANCE" to "PUBLIC SAFETY CANCER INSURANCE".

5 Sec. 3. Section 38-641, Arizona Revised Statutes, is amended to read:
6 38-641. Definitions

7 In this article, unless the context otherwise requires:

8 1. "Board" means the board of trustees of the public safety personnel
9 retirement system established by section 38-848, including its authorized
10 employees, administrators, attorneys and agents.

11 2. "Employer" means this state or any political subdivision of this
12 state, including cities, towns, fire districts and Indian tribes, that
13 employs firefighters, peace officers, corrections officers, ~~or~~ detention
14 officers OR OTHER MEMBERS AS DEFINED IN SECTION 38-881 and that participates
15 in the public safety personnel retirement system established by chapter 5,
16 article 4 of this title or the corrections officer retirement plan
17 established by chapter 5, article 6 of this title.

18 3. "Peace officer" means a certified peace officer as defined in
19 section 38-842.

20 4. "Program" means the ~~firefighter, peace officer and corrections~~
21 ~~officer~~ PUBLIC SAFETY cancer insurance policy program established by this
22 article.

23 Sec. 4. Section 38-642, Arizona Revised Statutes, is amended to read:
24 38-642. Public safety cancer insurance policy program

25 A. Except as provided in subsection D of this section, the board shall
26 establish and administer a ~~firefighter, peace officer and corrections officer~~
27 PUBLIC SAFETY cancer insurance policy program for participating employers
28 that employ firefighters, ~~OR~~ peace officers, ~~corrections officers or~~
29 ~~detention officers~~. For the purposes of the internal revenue code, the
30 program is an integral part of a political subdivision of this state.

31 B. Except as provided in subsection D of this section, participating
32 employers that employ firefighters or peace officers shall participate in the
33 program.

34 C. The board shall contract for a group cancer insurance policy to
35 provide coverage as prescribed by section 38-645 or may self-insure the
36 program by establishing an insurance policy that is of its own design and
37 that is underwritten by the assets of the ~~firefighter, peace officer and~~
38 ~~corrections officer~~ PUBLIC SAFETY cancer insurance policy program account
39 established by section 38-643. When procuring, establishing or administering
40 any cancer insurance policy provided pursuant to this article the board is
41 exempt from the requirements of title 41, chapter 23.

42 D. The board shall administer a ~~firefighter, peace officer and~~
43 ~~corrections officer~~ PUBLIC SAFETY cancer insurance policy program for
44 employers and their employees who are corrections officers, ~~or~~ detention
45 officers OR OTHER MEMBERS AS DEFINED IN SECTION 38-881 and who join the

1 program. The state department of corrections, the ~~state~~ department of
2 juvenile corrections, THE DEPARTMENT OF PUBLIC SAFETY or a county, city or
3 town may establish a voluntary cancer insurance policy program for employees
4 who are corrections officers ~~or~~, detention officers OR OTHER MEMBERS AS
5 DEFINED IN SECTION 38-881. The state department of corrections, the ~~state~~
6 department of juvenile corrections, THE DEPARTMENT OF PUBLIC SAFETY or a
7 county, city or town that, in its discretion, establishes a program shall
8 collect the payments for the program and submit the monies to the board on
9 behalf of the employees who voluntarily enroll in the program and make
10 payments for the cancer insurance. If a county, city or town establishes a
11 VOLUNTARY cancer insurance policy program, the county, city or town is not
12 required to make payments for the cancer insurance. If the state department
13 of corrections, ~~or state~~ THE department of juvenile corrections OR THE
14 DEPARTMENT OF PUBLIC SAFETY establishes a VOLUNTARY cancer insurance policy
15 program, the department shall not make payments for the cancer insurance.
16 The board may adopt policies that establish criteria for participation in the
17 program pursuant to this subsection.

18 E. On or before July 31 of each year, the board shall notify each
19 employer required to participate in the program of the total amount payable
20 to the board to pay for the costs of the program. The amount charged to each
21 employer shall not exceed one hundred eighty dollars for each employee of the
22 employer who is a firefighter, peace officer, corrections officer, ~~or~~
23 detention officer OR ANY OTHER MEMBER AS DEFINED IN SECTION 38-881 on record
24 with the board as of June 30 of that year. Each employer shall pay this
25 amount to the board on or before August 31 of each year.

26 F. Employers that fail to pay the amount required by subsection E of
27 this section by August 31 shall pay a fifteen ~~per cent~~ PERCENT late charge to
28 the board on all delinquent amounts accrued monthly. If the amount due and
29 the late charge are not paid within thirty days, the board may recover the
30 amounts due from the employer by either:

31 1. Filing an action in a court of competent jurisdiction to recover
32 the amount due.

33 2. Requesting a deduction of any monies, including excise revenue
34 taxes, payable to the employer by any department or agency of this state.

35 G. If the board self-insures the program the board and the program are
36 exempt from title 20 and any rules adopted pursuant to title 20.

37 Sec. 5. Section 38-643, Arizona Revised Statutes, is amended to read:

38 38-643. Public safety cancer insurance policy program account

39 A. The ~~firefighter, peace officer and corrections officer~~ PUBLIC
40 SAFETY cancer insurance policy program account is established and shall be
41 under the exclusive control of the board. The board shall deposit monies
42 collected pursuant to section 38-642 in the account to pay the cost of
43 providing a group cancer insurance policy under the program and the cost of
44 administering the program.

1 B. The board may use up to ten ~~per-cent~~ PERCENT of the monies
2 deposited in the account each year ending July 31 to pay the costs of
3 administering the program, except that board attorney fees and court costs
4 relating to the program shall be paid out of the account and are not subject
5 to this limitation. If no monies are deposited in the account in a given
6 year, the board may use up to five ~~per-cent~~ PERCENT of the monies deposited
7 in the account in the most recent year in which there was a deposit to pay
8 the costs of administering the program.

9 C. The board shall cause an independent audit of the account to be
10 performed at the end of each fiscal year and shall report the results of the
11 audit to each employer within six months following the end of the fiscal
12 year.

13 D. The employer contributions and securities in the account and
14 investment earnings on monies in the account are exempt from state, county
15 and municipal taxes.

16 E. The program is a welfare benefit plan or trust intended to pay
17 expenses incurred in the treatment of cancer as provided in the policy of
18 insurance secured or established by the board pursuant to section 38-642.
19 The legislature intends that the program's income be excluded as gross income
20 for the purposes of the assessment of federal income tax under section 115 of
21 the internal revenue code and that coverage under the program be excluded as
22 gross income to the employees or retirees under section 106 of the internal
23 revenue code. The board may adopt additional program provisions as are
24 necessary to fulfill its intent that the program's income and premiums are
25 not subject to federal income tax.

26 F. Employers, the board of trustees and any member of a local board do
27 not guarantee the account in any manner against loss or depreciation and are
28 not liable for any act or failure to act made in good faith pursuant to this
29 article, including determinations on program claims.

30 Sec. 6. Section 38-644, Arizona Revised Statutes, is amended to read:
31 38-644. Eligibility

32 A. Except as provided in subsections B, C and D of this section, to
33 qualify for covered benefits under the program, a person must satisfy all of
34 the following criteria:

35 1. Be an active or retired member of the public safety personnel
36 retirement system or the corrections officer retirement plan.

37 2. Be one of the following:

38 (a) A firefighter who is or was regularly assigned to hazardous duty
39 of the type normally expected of a firefighter.

40 (b) A peace officer.

41 (c) A corrections officer employed by the state department of
42 corrections or the ~~state~~ department of juvenile corrections, ~~or~~ a detention
43 officer employed by a county, city or town OR ANY OTHER MEMBER AS DEFINED IN
44 SECTION 38-881 if the department, county, city, ~~or~~ town OR PARTICIPATING
45 EMPLOYER AS DEFINED IN SECTION 38-881 has voluntarily established a program

1 and the corrections officer, ~~or~~ detention officer OR OTHER MEMBER AS DEFINED
2 IN SECTION 38-881 voluntarily enrolled in the program and made the payments
3 pursuant to section 38-642, subsection D.

4 3. Have cancer that was first diagnosed after the person's date of
5 membership in the public safety personnel retirement system or corrections
6 officer retirement plan.

7 B. Persons who terminate employment with a participating employer are
8 not eligible for benefits under the program unless the person has made a
9 valid claim for payment of expenses under the program before termination of
10 employment.

11 C. On retirement, persons who were either receiving benefits under the
12 program before retirement or who are diagnosed with cancer subsequent to
13 retirement remain eligible for coverage under the program for five months for
14 each year of credited service accumulated toward retirement under the public
15 safety personnel retirement system or corrections officer retirement plan.

16 D. A person whose eligibility to receive benefits under subsection C
17 of this section is expiring may continue to remain eligible for coverage
18 under the program if the person makes an election with the board and pays to
19 the board the cost of the premium as determined by the board at the time
20 determined by the board.

21 E. A person is not eligible for benefits under the program if there is
22 any evidence that the cancer that forms the basis for a benefit claim under
23 the program existed before the person's membership in the public safety
24 personnel retirement system or corrections officer retirement plan.

25 Sec. 7. Section 38-645, Arizona Revised Statutes, is amended to read:
26 38-645. Coverage

27 A. Coverage provided under the program shall provide benefits to
28 eligible persons to pay for expenses that are designated by the board and
29 that are incurred in the treatment of cancer, including treatments by clinics
30 or providers outside of the United States.

31 B. The board may provide for additional coverage or exclusions under
32 the program based on available monies in the ~~firefighter, peace officer and~~
33 ~~corrections officer~~ PUBLIC SAFETY cancer insurance policy program account.

34 C. Coverage under the ~~firefighter, peace officer and corrections~~
35 ~~officer~~ PUBLIC SAFETY cancer insurance policy program may be canceled,
36 changed or terminated by the board at any time without notice. If the
37 program is terminated, the board shall refund monies in the ~~firefighter,~~
38 ~~peace officer and corrections officer~~ PUBLIC SAFETY cancer insurance policy
39 program account on a pro rata basis to employers, excluding monies held in
40 reserve for benefits as determined by the board.

41 D. If the program is self-insured, benefits are limited to the assets
42 in the ~~firefighter, peace officer and corrections officer~~ PUBLIC SAFETY
43 cancer insurance policy program account and those benefits may be reduced or
44 eliminated at any time.

1 Sec. 8. Section 38-848, Arizona Revised Statutes, is amended to read:
2 38-848. Board of trustees; powers and duties; independent trust
3 fund; administrator; agents and employees

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

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

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

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

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

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

23 B. All monies in the fund shall be deposited and held in a public
24 safety personnel retirement system depository. Monies in the fund shall be
25 disbursed from the depository separate and apart from all monies or funds of
26 this state and the agencies, instrumentalities and subdivisions of this
27 state, except that the board may commingle the assets of the fund and the
28 assets of all other plans entrusted to its management in one or more group
29 trusts, subject to the crediting of receipts and earnings and charging of
30 payments to the appropriate employer, system or plan. The monies shall be
31 secured by the depository in which they are deposited and held to the same
32 extent and in the same manner as required by the general depository law of
33 this state. For purposes of making the decision to invest in securities
34 owned by the fund or any plan or trust administered by the board, the fund
35 and assets of the plans and the plans' trusts are subject to the sole
36 management of the board for the purpose of this article except that, on the
37 board's election to invest in a particular security or make a particular
38 investment, the assets comprising the security or investment may be chosen
39 and managed by third parties approved by the board. The board may invest in
40 portfolios of securities chosen and managed by a third party. The board's
41 decision to invest in securities such as mutual funds, commingled investment
42 funds, exchange traded funds, private equity or venture capital limited
43 partnerships, real estate limited partnerships or limited liability companies
44 and real estate investment trusts whose assets are chosen and managed by

1 third parties does not constitute an improper delegation of the board's
2 investment authority.

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

13 D. The board shall have the full power in its sole discretion to
14 invest and reinvest, alter and change the monies accumulated under the system
15 and other retirement plans and trusts that the board administers as provided
16 in this article. In addition to its power to make investments managed by
17 others, the board may delegate the authority the board deems necessary and
18 prudent to investment management pursuant to section 38-848.03, as well as to
19 the administrator, employed by the board pursuant to subsection K, paragraph
20 6 of this section, and any assistant administrators to invest the monies of
21 the system and other retirement plans and trusts that the board administers
22 if the administrator, investment management and any assistant administrators
23 follow the investment policies that are adopted by the board. The board may
24 commingle securities and monies of the fund, the elected officials'
25 retirement plan, the corrections officer retirement plan and other plans or
26 monies entrusted to its care, subject to the crediting of receipts and
27 earnings and charging of payments to the account of the appropriate employer,
28 system or plan. In making every investment, the board shall exercise the
29 judgment and care under the circumstances then prevailing that persons of
30 ordinary prudence, discretion and intelligence exercise in the management of
31 their own affairs, not in regard to speculation but in regard to the
32 permanent disposition of their funds, considering the probable income from
33 their funds as well as the probable safety of their capital, provided:

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

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

43 3. That not more than five ~~per-cent~~ PERCENT of the voting stock of any
44 one corporation shall be owned by the system and other plans that the board

1 administers, except that this limitation does not apply to membership
2 interests in limited liability companies.

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

8 (a) Listed or approved on issuance for listing on an exchange
9 registered under the securities exchange act of 1934, as amended (15 United
10 States Code sections 78a through ~~7811~~ 78pp).

11 (b) Designated or approved on notice of issuance for designation on
12 the national market system of a national securities association registered
13 under the securities exchange act of 1934, as amended (15 United States Code
14 sections 78a through ~~7811~~ 78pp).

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

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

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

28 E. Notwithstanding any other law, the board shall not be required to
29 invest in any type of investment that is dictated or required by any entity
30 of the federal government and that is intended to fund economic development
31 projects, public works or social programs, but may consider such economically
32 targeted investments pursuant to its fiduciary responsibility. The board, on
33 behalf of the system and all other plans or trusts the board administers, may
34 invest in, lend monies to or guarantee the repayment of monies by a limited
35 liability company, limited partnership, joint venture, partnership, limited
36 liability partnership or trust in which the system and plans or trusts have a
37 financial interest, whether the entity is closely held or publicly traded and
38 that, in turn, may be engaged in any lawful activity, including venture
39 capital, private equity, the ownership, development, management, improvement
40 or operation of real property and any improvements or businesses on real
41 property or the lending of monies.

42 F. Conference call meetings of the board that are held for investment
43 purposes only are not subject to chapter 3, article 3.1 of this title, except
44 that the board shall maintain minutes of these conference call meetings and
45 make them available for public inspection within twenty-four hours after the

1 meeting. The board shall review the minutes of each conference call meeting
2 and shall ratify all legal actions taken during each conference call meeting
3 at the next scheduled meeting of the board.

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

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

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

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

16 3. Also:

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

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

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

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

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

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

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

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

44 7. Appear before local boards and the courts of this state and
45 political subdivisions of this state through counsel or appointed

1 representative to protect the fund or the assets of other plans that the
2 board administers. The board is not responsible for the actions or omissions
3 of the local boards under this system but may seek review or rehearing of
4 actions or omissions of local boards. The board does not have a duty to
5 review actions of the local boards but may do so in its discretion in order
6 to protect the fund. No limitations period precludes the board or
7 administrator from contesting, or requires the board or administrator to
8 implement or comply with, a local board decision that violates the internal
9 revenue code or that threatens to impair the tax qualified status of the
10 system or any plan administered by the board or administrator.

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

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

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

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

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

28 1. A balance sheet.

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

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

31 4. A list of investments owned.

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

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

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

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

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

- 8 (a) Department of liquor licenses and control.
- 9 (b) Department of public safety.
- 10 (c) Northern Arizona university.
- 11 (d) University of Arizona.
- 12 (e) Arizona state university.
- 13 (f) Arizona game and fish department.
- 14 (g) Department of law.
- 15 (h) Department of emergency and military affairs.
- 16 (i) Arizona state parks board.

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

- 20 (a) State department of corrections.
- 21 (b) Department of public safety.
- 22 (c) The judiciary.
- 23 (d) Department of juvenile corrections.

24 K. The board shall:

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

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

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

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

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

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

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

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

7 1. Administer this article.

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

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

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

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

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

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

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

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

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

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

- 9 1. Administrator.
- 10 2. Deputy or assistant administrator.
- 11 3. Chief investment officer.
- 12 4. Deputy chief investment officer.
- 13 5. Fiduciary or investment counsel.

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

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

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

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

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

- 1 1. A portfolio manager acting in a fiduciary capacity.
- 2 2. A securities analyst.
- 3 3. An employee or principal of a trust institution, investment
- 4 organization or endowment fund acting either in a management or an investment
- 5 related capacity.
- 6 4. A chartered financial analyst in good standing as determined by the
- 7 association for investment management and research.
- 8 5. A professor at the university level teaching economics or
- 9 investment related subjects.
- 10 6. An economist.
- 11 7. Any other professional engaged in the field of public or private
- 12 finances.
- 13 U. Financial or commercial information that is provided to the board,
- 14 employees of the board and attorneys of the board in connection with
- 15 investments in which the board has invested or investments the board has
- 16 considered for investment is confidential, proprietary and not a public
- 17 record if the information is information that would customarily not be
- 18 released to the public by the person or entity from whom the information was
- 19 obtained.

APPROVED BY THE GOVERNOR MAY 11, 2016.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 11, 2016.

Passed the House March 1, 2016

Passed the Senate March 29, 2016

by the following vote: 58 Ayes,

by the following vote: 28 Ayes,

0 Nays, 2 Not Voting

0 Nays, 2 Not Voting

[Signature]

Speaker of the House

Pro Tempore

[Signature]

President of the Senate

[Signature]

Chief Clerk of the House

[Signature]

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

 day of , 20

at o'clock M.

Secretary to the Governor

Approved this day of

at o'clock M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this day of , 20

at o'clock M.

Secretary of State

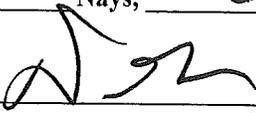
H.B. 2074

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

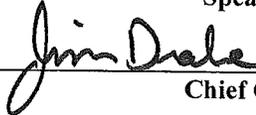
May 4, 2016,

by the following vote: 60 Ayes,

0 Nays, 0 Not Voting



Speaker of the House

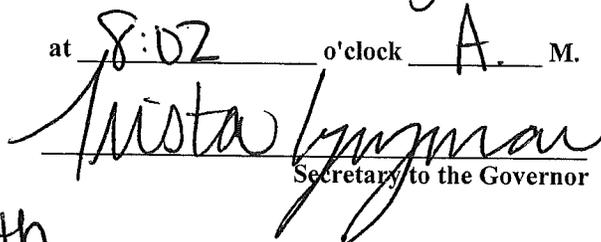


Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this
5th day of May, 2016,

at 8:02 o'clock A. M.

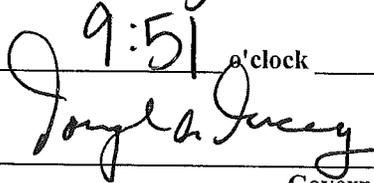


Secretary to the Governor

Approved this 11th day of

May, 2016,

at 9:51 o'clock A. M.



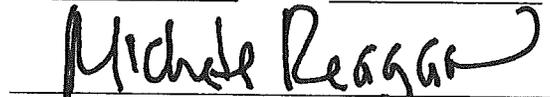
Governor of Arizona

H.B. 2074

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State
this 12 day of May, 2016,

at 9:03 o'clock A M.



Secretary of State