



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## SUMMARY OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

**HELD ON**  
**February 12, 2016**  
**10:30 a.m., Arizona Time**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Dr. Richard Jacob, Chair, called the meeting to order at 10:30 a.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

### **1. Call to Order; Roll Call; Opening Remarks**

Present: Dr. Richard Jacob, Chair  
Mr. Kevin McCarthy – Via Teleconference  
Mr. Tom Manos – Via Teleconference

Absent: Mr. Lorenzo Romero

A quorum was present for the purpose of conducting business.

### **2. Approval of the Public Meeting Minutes of the November 13, 2015 EAC Meeting**

Motion: Mr. Kevin McCarthy moved to approve the minutes of the November 13, 2016 Public EAC meeting. Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstained, 1 excused the minutes were approved.

### **3. Presentation, Discussion and Appropriate Action Regarding 2016 Legislative Initiatives and Legislation affecting the ASRS**

Mr. Nick Ponder, Government Relations Officer, presented the ASRS 2016 legislative initiatives and other legislation that may impact the ASRS.

**HB2104: ASRS; RETENTION OF CREDITED SERVICE** - An employee who is employed with an ASRS employer in a position that was exempt from ASRS membership because the position was not included in agreements providing for the employee's coverage under the federal old-

age and survivors insurance system, but on whose behalf the employer has remitted ASRS contributions will retain credited service for the period of employment for which the employer remitted ASRS contributions on the employee's behalf. This bill has an emergency clause. The Bill passed in the House and moved to the Senate.

**HB2159: ASRS; RULEMAKING EXEMPTION** - The ASRS and the ASRS Board are not subject to the Administrative Procedures Act, except for the uniform administrative hearing procedures, for actuarial assumptions and calculations, investment strategy and decisions, and accounting methodology. This Bill is retroactive to January 1, 1987 and contains a purpose statement. The Bill passed the House and Government Higher Education committee, and is scheduled to appear in the Rules committee on Monday.

**HB2160: ASRS; ELIGIBLE ROLLOVERS:** The list of contributions for the payment of credited service purchases that the ASRS Board is permitted to accept is modified to include "direct transfers from" an individual retirement account or individual retirement annuity of an amount that would otherwise be eligible to be rolled over to ASRS, instead of a "rollover contribution of that portion of a distribution" from those types of accounts. The Bill has been moved to the House consent calendar.

**HB2243: ASRS; LTD PROGRAM; LIABILITY** - The ASRS, the ASRS Board and ASRS employees are indemnified against liability for any action taken in the performance of their powers and duties, unless the action was intended to cause injury or was grossly negligent. The Bill has been moved to the House consent calendar.

Mr. Nick Ponder will meet with Representative Livingston next week to discuss the Bill further.

**SB1037: ASRS; BOARD DELEGATION; BENEFIT DETERMINATIONS** - The ASRS Board is permitted to delegate the duty and authority to act on the Board's behalf to a Committee of the Board for the purposes of determining the rights, benefits or obligations of any person and for related administrative hearings. The Bill passed the Senate and is awaiting House action.

**SB1038: ASRS; REINSTATEMENT; CONTRIBUTION AMOUNT** - A member of the ASRS who is reemployed by an ASRS employer is permitted to redeposit the amount of the contributions that the ASRS paid, instead of that the member received, at the time of the member's separation from service, with interest. The bill passed the Senate and is waiting to be heard in the House.

**SB1144: ASRS; CONTRIBUTIONS; ADJUSTMENTS** - If more than the correct amount of employer or member contributions is paid into the ASRS through a mistake of law, ASRS is required to return those contributions to the employer upon request through an employer credit. If less than the correct amount of employer or member contributions is paid into ASRS by an employer, members who are inactive, retired or on long-term disability must make required payments using after-tax income and a personal check, cashier's check or money order. The bill passed the Senate and is waiting for the House to hear it.

**SB1151: ASRS; CONTINUATION** – The statutory life of the ASRS Board and Director is extended eight years to July 1, 2024. It is retroactive to July 1, 2016.

Mr. Ponder stated there were multiple modifications made to this bill, of which there are no concerns. This Bill authorized the ASRS continuation, for a period of 8 years following the

Sunset Audit.

**HB2115: PUBLIC EMPLOYEES; MISAPPROPRIATION; PENALTY** - If any public officer or employee of a public agency is found to have misappropriated public monies, the public officer or employee is not eligible to receive any severance pay, annuity payments, pension benefits or any other benefit that would otherwise be provided by the public agency. This clause must be included in any employment contract entered into by a public agency after the effective date of this legislation. The Bill will go to the Rules committee on Monday and is anticipated to move through the House.

**HB2157: ASRS; POLITICAL SUBDIVISION ENTITIES** - Employees of "political subdivision entities" (defined in statute) who are hired on or after the effective date of this legislation are excluded from membership in the ASRS. This Bill passed the Government Higher Education committee.

**HB2237: RETIREMENT; RETURN TO WORK; RESTRICTIONS** - Arizona State Retirement System, Public Safety Personnel Retirement System, and Corrections Officer Retirement Plan employers are prohibited from contracting with or leasing a retired member within one year after the member's retirement date. This Bill has not been assigned to a committee.

**HCR2040: STATE MONIES; PROHIBITED INVESTMENTS; TERRORISM:** The 2016 general election ballot is to carry the question of whether to amend the state Constitution to prohibit the state, public retirement systems, counties, municipalities and other political subdivisions from contracting with or investing in any legal entity that is invested in or doing business with the government of a country that is designated by the U.S. Department of State on or after January 1, 2015 as a state sponsor of terrorism. Any contract or investment in violation cannot be renewed and must be cancelled or divested at the earliest prudent opportunity. Some exceptions exist.

Mr. Ponder stated that he met with several members of the committee as well as the President of the Senate and the ASRS will work with the bill sponsors to express ASRS concerns with the bill. Mr. Ponder will meet with Representative Montenegro to express the ASRS concerns to him. Dr. Jacob requested that the Committee be informed if anything substantial happens as a result of the meeting. Mr. McCarthy made the recommendation that Mr. Ponder reach out to the Governor's Office to see if they're involved in this legislation. This Bill passed from House Government Higher Education committee.

**H2583: OPEN MEETINGS; AUDIOVISUAL RECORDINGS** - All public bodies are required to provide a complete audiovisual recording of all their meetings, including executive sessions, and are required to post the audiovisual recording of a meeting on its website within 24 hours after the meeting.

Mr. Ponder stated there is no appropriation for this Bill. The essence or intent of the Bill in regards to the ASRS was discussed.

Mr. McCarthy confirmed this item is on the agenda for next week's House Government Higher Education committee meeting.

**HB2617 : ISRAEL; BOYCOTTS; CONTRACTS; INVESTMENTS** - Public entities" (defined) are prohibited from entering into a contract with a company to acquire or dispose of services,

supplies, information technology or construction unless the contract includes a written certification that the company is not currently engaged in a boycott of Israel. By April 1 of each year, the State Board of Investment is required to prepare a list of "restricted companies" (defined as companies that boycott Israel) and distribute the list to the State Treasurer and each retirement system. The State Treasurer and each state retirement system are required to sell, redeem, divest or withdraw all direct holdings of a restricted company from the assets under their management in an orderly and fiducially responsible manner within three months after receiving the list. This bill does not appear to affect the ASRS. It passed through Committee and set for Rules on Monday.

**SB1257: MISCONDUCT INVOLVING WEAPONS; PUBLIC PLACES** - A person who possesses a valid concealed weapons permit is exempt from the prohibition of carrying a concealed weapon in a public establishment other than a vehicle or craft or at a public event. There are some exceptions, including for public establishments or events that are a "secured facility" that are the licensed premises of a liquor licensee, or that are an educational institution.

Trustees had questions regarding the ASRS building and Mr. Ponder will follow up on concerns expressed regarding this bill.

**SB1428 PSPRS MODIFICATIONS** - Various changes to statutes relating to the Public Safety Personnel Retirement System. Establishes a method for determining the employer and member contributions to PSPRS for members hired on or after July 1, 2017. Modifies the definition of "average monthly benefit compensation" for the purpose of determining PSPRS retirement benefit amounts and the definition of "normal retirement" and applies these changes only to members hired on or after July 1, 2017. For members who are hired on or after July 1, 2017, the annual compensation of each member taken into account for purposes of the system cannot exceed \$110,000, decreased from \$200,000. Beginning in FY2020-21 and every third FY after, the PSPRS Board is required to adjust the annual compensation limit by the average change in the public safety wage index as determined by a specified method. Establishes retirement multipliers based on years of credited service for members who become a PSPRS member on or after July 1, 2017. Repeals statutes providing for benefit increases, and establishes cost-of-living adjustments for members hired on or before June 30, 2017, and for members hired on or after July 1, 2017. Increases the number of members of the PSPRS Board to nine, from seven, and modifies requirements for Board members. Establishes a 10-member PSPRS Advisory Committee. The PSPRS Board is required to establish a Public Safety Personnel Defined Contribution Plan (DC Plan) to provide for the retirement of specified participants beginning July 1, 2017. Establishes powers and duties of the Board for the DC Plan, and establishes member and employer contributions to the DC Plan. An employee who is hired on or after July 1, 2017 and who was not a member of the PSPRS on June 30, 2017 is eligible and may elect to participate in either the PSPRS or in the DC Plan, and the election made is irrevocable. The employee's participation in either system begins 90 days after the date the employee is hired. Also establishes a DC Plan disability program. Conditionally enacted on the state Constitution being amended as prescribed by Senate concurrent resolution 1019 by vote of the people at the special election on May 17, 2016. The Bill has a severability clause and the Bill passed the Senate and the House, however, an amendment sent this Bill back to the Senate.

**SB1429: PUBLIC RETIREMENT SYSTEMS; SPECIAL ELECTION** - The purpose of the special election called by Laws 2015, first special session, chapter 2 is expanded to include proposed amendments to the state Constitution that are proposed by Senate concurrent resolution 1019 that provide for changes to public retirement systems. For the public retirement

