



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
March 11, 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. Lorenzo Romero – Via Teleconference

Absent: Mr. Tom Manos

A quorum was present for the purpose of conducting business.

2. Approval of the Public Meeting Minutes of the February 12, 2015 EAC Meeting

Motion: Mr. Kevin McCarthy moved to approve the minutes of the February 12, 2016 Public EAC meeting. Mr. Lorenzo Romero 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 Rulemaking and the 2015 and 2016 Regulatory Agenda.

Ms. Jessica Ross provided an update on the rulemaking activities listed on the 2015 and 2016 Regulatory Agendas. An additional layer of approval from the Governor's Office was discussed and was said to be insignificant with regards to delaying the regular rulemaking process.

4. Presentation, Discussion and Appropriate Action Regarding 2016 Legislative Initiatives and Legislation affecting the ASRS

Mr. Nick Ponder 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. An amendment has been offered that will allow elected and appointed public officials who are retired from the ASRS to return to work without having their pension suspended.

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. This bill is schedule for Senate Finance Committee next Wednesday at 9 a.m. and Senate Government Committee on Wednesday at 2 p.m. Mr. Ponder has meetings scheduled with several senators and is optimistic it will proceed.

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 the ASRS, instead of a "rollover contribution of that portion of a distribution" from those types of accounts. This Bill has passed the Senate Finance Committee without any questions or concerns.

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 did not get approved by the House.

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 House Government and Higher Education Committee.

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 House and Government and Higher Education Committee.

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, the 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 the 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 through the Government and Higher Education Committee by a 6 to nothing vote.

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. This bill passed in the Government and Higher Education Committee by a 7 to nothing vote.

HB2115: PUBLIC EMPLOYEES; MISAPPROPRIATION; PENALTY - An individual who misappropriates public monies is not eligible to receive a severance payments, annuity benefits, or other monies otherwise payable by the public agency. NOTE: The term "pension benefits" was removed from the language regarding losing eligibility. This clause must be included in any future employment contract entered into by a public agency after the effective date of this legislation. The bill passed 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 did not have the votes to move out of the House, therefore, will not proceed.

HB2583: 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 this bill failed by multiple votes in the House due to financial liability to purchase devices to record and post on the website.

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 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.

An amendment was offered to require the retention of a list of all known companies who are boycotting Israel. A discussion took place with regards to the ability to compile a list, which Mr. Ponder stated would be a challenge due to the legal liability. This bill was triple assigned. It passed the Finance Committee 4-1 and passed the House Committee.

HB2666: GOVERNOR’S ECONOMIC OPPORTUNITY OFFICE; CONSOLIDATION – Creates the Governor's Economic Opportunity Office (GEOO). It creates the Arizona Finance Authority (AFA) within GEOO. The AFA would establish a non-profit corporation; the Arizona Industrial Development Authority (AIDA). A proposed amendment would require any current ASRS participants who become employed with AIDA to continue participation in the ASRS. The bill passed the House 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. There are some exceptions. This bill is dead for this session and is

not anticipated to come back next session.

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

Mr. Ponder mentioned there were two changes to the bill this year from last year. He also stated there hasn't been any publicly known involvement in this bill from the Governor's Office or the Arizona Department of Administration (ADOA). The bill passed the Senate and is expected to pass the House.

5. Presentation, Discussion, and Appropriate Action Regarding 2015 Public Affairs and Media Relations Activities

Mr. Pat Klein stated the Charter for the External Affairs Committee in the Board Governance Policy Handbook requires an update of the Public Affairs and Media Relations on annual basis. He also mentioned there has been an agency reorganization during 2015 with a delineation of certain activities within the role of communications and media relations activities. Mr. Klein introduced Mr. David Cannella, who stated he has been working with Ms. Pam Vozza, and he and Ms. Vozza reviewed the activities that had taken place during the year.

6. Call to the Public

No requests to speak from the members of the public.

7. Adjournment of the ASRS External Affairs Committee Meeting.

Motion: Mr. Kevin McCarthy moved to adjourn the March 11, 2016 EAC meeting. Dr. Jacob seconded the motion

By a vote of 3 in favor, 0 opposed, 0 abstained, 1 excused the meeting was adjourned.

Dr. Jacob adjourned the public meeting at 11:23 a.m.

Respectfully Submitted by,

Signed Copy on File

Alicia Guzman
Committee Administrator

Date

Signed Copy on File

Pat Klein
Assistant Director, External Affairs Division