ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

AGENDA
NOTICE OF A PUBLIC MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD
(AD HOC COMPENSATION COMMITTEE)

14th Floor Conference Room
3300 North Central Avenue
Phoenix, AZ 85012

October 14, 2014
3:00 p.m. Arizona Time

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the Trustees of the Arizona State Retirement System (ASRS) Board Ad Hoc Compensation Committee and to the general public that the ASRS Ad Hoc Compensation Committee will hold a meeting open to the public on Tuesday, October 14, 2014, beginning at 3:00 p.m. Arizona Time in the 14th Floor Conference Room of the ASRS office, 3300 North Central Avenue, Phoenix, AZ 85012. Trustees of the Committee may attend either in person or by telephone conference call.

This is a scheduled meeting of the ASRS Ad Hoc Compensation Committee, however, because the Committee is made up of a quorum of the Board, it is noted this Committee will not be acting as the Board and actions requiring Board authority will be presented to the full Board for final decision at one of their regularly scheduled Board meetings.

The Chair may take public comment during any agenda item. If any member of the public wishes to speak to a particular agenda item, they should complete a Request to Speak Form indicating the item and provide it to the Committee Administrator.

This meeting will NOT be teleconferenced to the ASRS Tucson office conference room at 7660 E. Broadway Boulevard, Suite 108, Tucson, Arizona 85710.

The Agenda for the meeting is as follows:

1. Call to Order; Roll Call; Opening Remarks..... Mr. Tom Manos
   Compensation Committee Chair

2. Presentation and Discussion and Appropriate Action Regarding the Purpose and Scope of the Compensation Committee ..... Mr. Tom Manos

3. Presentation, Discussion and Appropriate Action Regarding Resource Requirements for the Compensation Committee ..... Mr. Tom Manos

4. Presentation, Discussion and Appropriate Action Regarding Future Agenda Topics and Meeting Dates..... Mr. Tom Manos

5. Call to the Public..... Mr. Tom Manos

Those wishing to address the ASRS Committee are required to complete a Request to Speak Form before the meeting indicating their desire to speak. Request to Speak Forms are available at the sign-in desk and should be given to the Committee Administrator. Trustees of the Committee are prohibited by A.R.S. § 38-431.01(G) from discussing or taking legal action on matters raised during an open call to the public unless the matters are properly noticed for discussion and legal action. As a result of public comment, the Committee Chair may direct staff to study and/or reschedule the matter for discussion and decision at a later date.

6. Adjournment of the Compensation Committee

A copy of the agenda background material provided to the Compensation Committee Trustees (with the exception of material relating to possible executive sessions) is available for public inspection at the ASRS offices located at 3300 North Central Avenue, 14th Floor, Phoenix, Arizona and 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona. The agenda is subject to revision up to 24 hours prior to meeting. These materials are also available on the ASRS website (https://www.azasrs.gov/web/BoardCommittees.do) approximately 48 hours prior to the meeting.

Persons(s) with disabilities may request a reasonable accommodation such as a sign language interpreter or alternate formats of this document by contacting Tracy Darmer, ADA Coordinator at (602) 240-5378 in Phoenix, at (520) 239-3100, ext. 5378 in Tucson or 1-800-621-3778, ext. 5378 outside metro Phoenix or Tucson. Requests should be made as early as possible to allow time to arrange the accommodations.

Dated October 9, 2014

ARIZONA STATE RETIREMENT SYSTEM

Gayle Williams Date	Paul Matson Date
Committee Administrator	Director

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Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, ASRS Ad Hoc Compensation Committee

FROM: Mr. Paul Matson, Director

DATE: October 7, 2014

RE: **Agenda Item #2**: Presentation and Discussion and Appropriate Action Regarding the Purpose and Scope of the Compensation Committee

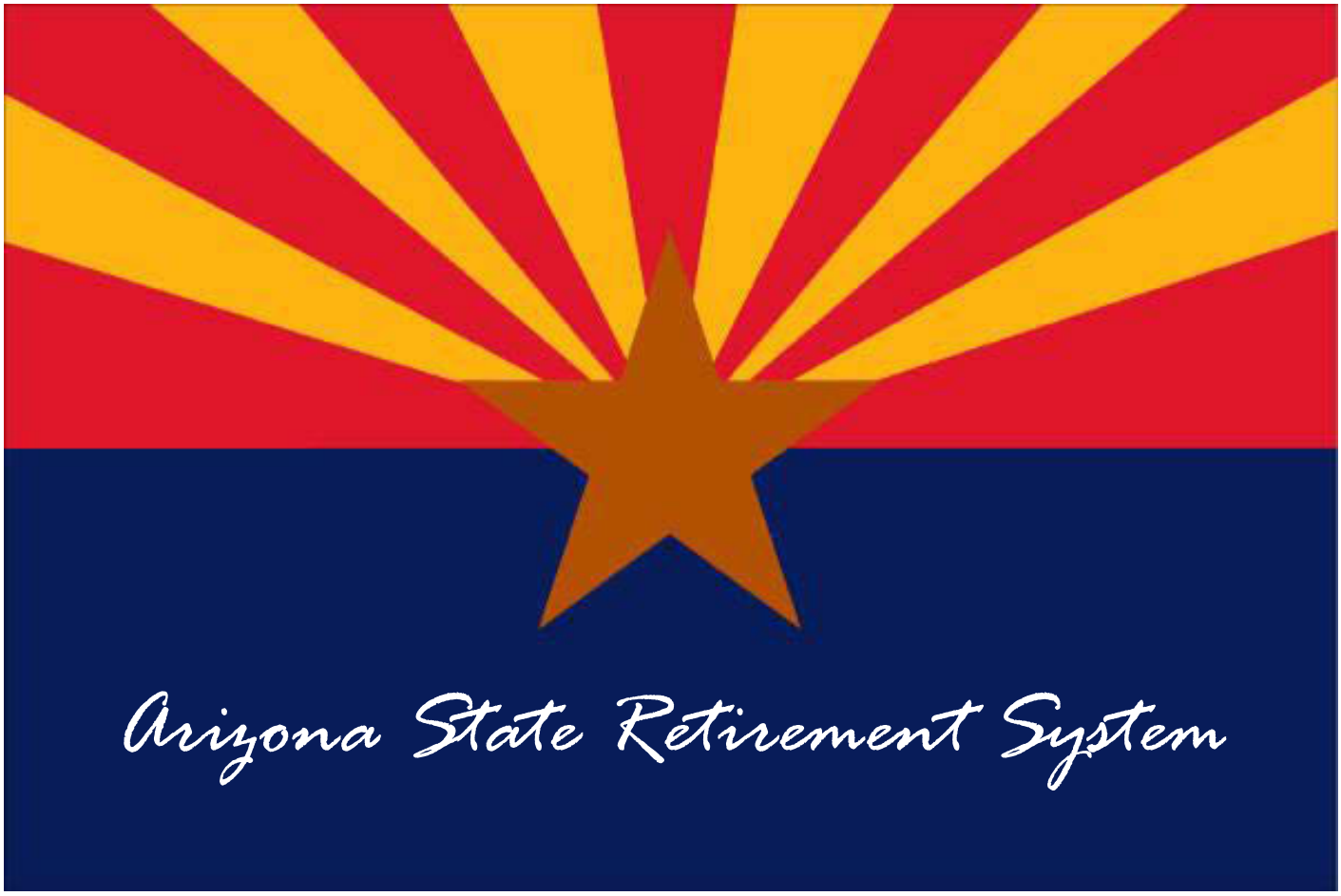
Purpose

To discuss and refine the following draft purpose for the Ad Hoc Compensation Committee:

The purpose of the committee is to:

1) Review and discuss the past and the current (post-personnel reform) roles of the following:
   a) ASRS Board;
   b) ASRS Director and Other Staff;
   c) ASRS Board Governance Policy Handbook;
   d) ADOA; and
   e) Other Parties, with respect to personnel compensation levels, compensation changes, alternate compensation plans, and budgeting; and to
   f) Review and discuss any current compensation plans or programs with the intent to consider if it would be prudent to recommend to the Board any modifications to either the roles in any of the above areas, or to any compensation plans or programs.

Attachments:
1. ASRS Board Governance Policy Handbook
2. A.R.S. § 38-611.01 – Arizona state retirement system; incentive compensation plan; special pay plan
3. Personnel Reform Fact Sheet
4. Excerpts of HB 2571 (Personnel Reform)



Board Governance Policy Handbook

Approved: January 16, 2004

Revised: December 17, 2004
February 18, 2005
December 6, 2005
December 15, 2006
April 18, 2008
May 14, 2009
July 31, 2009
April 16, 2010
April 15, 2011
July 15, 2011
October 19, 2012
October 25, 2013
January 24, 2014

Arizona State Retirement System (ASRS)
Board Governance Policy Handbook
Table of Contents

A. VISION STATEMENT AND CORE VALUES 1

B. ASRS BOARD CHARTER 2

THE BOARD'S ROLE 2
BOARD COMPOSITION (A.R.S. § 38-713) 2
TRUSTEE TERMS, RESIGNATIONS, AND VACANCIES 2
DUTIES AND RESPONSIBILITIES 3

C. TRUSTEE POSITION DESCRIPTION 4

PRIMARY RESPONSIBILITY 4
COMMITMENTS 4
TRUSTEE FIDUCIARY RESPONSIBILITIES 4
TRUSTEE ACCESS TO ASRS RESOURCES 5

D. DIRECTOR POSITION DESCRIPTION 6

GENERAL 6
DELEGATION OF RESPONSIBILITIES 6
SPECIFIC DUTIES AND RESPONSIBILITIES 6

E. ELECTION OF BOARD OFFICERS 8

BOARD OFFICERS 8
ELECTION PROCEDURE 8
TERM 8
RESIGNATIONS AND VACANCIES 8
REMOVAL 8

F. BOARD CHAIR POSITION DESCRIPTION 9

RESPONSIBILITIES AND COMMITMENTS 9
DUTIES OF VICE-CHAIR 9

G. BOARD AND COMMITTEE MEETING PROTOCOL 10

RULES OF ORDER AND QUORUM 10
SCHEDULING OF REGULAR, SPECIAL, AND EMERGENCY MEETINGS 10
MEETING NOTICES 10
TRUSTEE ATTENDANCE BY ELECTRONIC MEDIA 10
MEETING AGENDAS 10
MEETING MATERIALS 10
PUBLIC ACCESS AND TESTIMONY AT BOARD MEETINGS 11
EXECUTIVE SESSIONS 11
MEETING MINUTES AND BOARD RECORDS 12

H. BOARD COMMITTEES AND CHARTERS 13

GENERAL 13
STANDING COMMITTEES 13
SPECIAL COMMITTEES 13
COMMITTEE MEMBERS 13
COMMITTEE OPERATING RULES 13

OPERATIONS AND AUDIT COMMITTEE CHARTER 14
EXTERNAL AFFAIRS COMMITTEE CHARTER 17
INVESTMENT COMMITTEE CHARTER 18

I. ASSET CLASS COMMITTEES 19

PURPOSE 19
DUTIES AND RESPONSIBILITIES 19
ORGANIZATIONAL STRUCTURE/COMPOSITION/VOTING PROTOCOL 19
STAFF-EXTENSION INVESTMENT CONSULTANTS 19

J. TRUSTEE ORIENTATION AND EDUCATION PROGRAM 20

GENERAL 20
NEW TRUSTEE ORIENTATION PROGRAM 20
TRUSTEE EDUCATION POLICY 20
REIMBURSEMENT OF EDUCATION EXPENSES 21

K. STRATEGIC PLANNING POLICY (UPDATED 10/25/2013) 22

GENERAL 22
STRATEGIC PLANNING POLICY 22
STRATEGIC PLANNING DEVELOPMENT PROCESS 22
STRATEGIC PLAN REPORTING 23

L. BOARD CODE OF ETHICS 24

GENERAL 24
STATE LAW 24
CODE OF ETHICS 25
LOYALTY OATH 26
POLITICAL ACTIVITIES 26

M. BOARD PERFORMANCE EVALUATION 27

GENERAL 27
BOARD EVALUATION POLICY 27
BOARD PERFORMANCE EVALUATION PROCESS AND FORMS 27
PART A: TRUSTEE SELF-EVALUATION 27
PART B: OVERALL BOARD EVALUATION 27

N. DIRECTOR EVALUATION PROCESS 28

GENERAL 28
OBJECTIVES 28
EVALUATION PROCEDURE AND CRITERIA 28

APPENDIX A – TRUSTEE SELF EVALUATION 29

APPENDIX B – OVERALL BOARD EVALUATION 30

APPENDIX C – DIRECTOR EVALUATION 32

APPENDIX D – GENERAL INVESTMENT CONSULTANTS 35

APPENDIX E – TRUSTEE FIDUCIARY LIABILITY AND COVERAGE 36

APPENDIX F – LOYALTY OATH 37

A. VISION STATEMENT AND CORE VALUES

How...

ASRS Employees Deliver Service With PRIDE!

PROFESSIONALISM

We promote, strive for and expect individuals, teams, and divisions to possess professional qualities and skills to lead the organization.

- Displays a friendly, respectful and courteous demeanor even when confronted by adversity
- Has proactive and responsive approach to internal and external customer needs
- Possesses good communication and active listening skills
- Is a trusted contributor (manager, leader, SME, analyst, teammate)
- Takes personal accountability • Has subject matter expertise
- Has critical thinking skills • Has an honest, fair, non-judgmental mind-set
- Is adaptable to beneficial change • Adheres to the ASRS Code of Conduct

RESULTS

We treasure the achievements of individuals, teams, divisions and the agency that energize the organization.

- Meets goals and objectives
- Completes projects
- Produces quality work products
- Satisfies customers
- Attains individual accomplishments
- Manages risks successfully

IMPROVEMENT

We appreciate individuals, teams or divisions who drive the agency forward with new,innovative ideas and solutions.

- Promotes new ideas
- Enhances outcomes and performance
- Solves problems
- Enhances morale
- Improves relationships
- Increases efficiency, effectiveness or reduces costs

DIVERSITY

We recognize that utilizing different talents, strengths and points of view, strengthens the agency and helps propel outcomes greater than the sum of individual contributors.

- Encourages an attitude of openness and a free flow of ideas and opinions
- Treats others with dignity and respect
- Works effectively to accomplish goals with teams comprised of dissimilar individuals
- Recognizes and promotes skills in others attained on and off the job

EXCELLENCE

We celebrate individuals, teams and divisions who exceed expectations and deliver service with a PRIDE that permeates the organization.

- Surpasses member, stakeholder and associate expectations
- Demonstrates a willingness to go the extra mile to engender a positive public image
- Embraces change in a manner that inspires others
- Accepts responsibility and challenges with enthusiasm
- Takes a personal interest in promoting teamwork through effective use of communication (verbal, non-verbal, written and technological techniques)
- Creates a motivated, healthy and productive work environment that celebrates and rewards the accomplishments of others

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B. ASRS BOARD CHARTER

Consistent with recognition of the fiduciary duties imposed upon each individual member of the Board, they are referred to in this Governance Handbook as "Trustees."

The Board recognizes a sound governance structure is essential to fulfilling its duties and responsibilities. The Board prepared and adopted this Governance Handbook to establish the framework within which the Board intends to set governance and oversight policy.

The purpose of the Handbook is twofold. First, it is to provide orientation material for new Trustees (and executive staff) as to the roles, responsibilities, structure, procedures, policies, and activities in the governance and oversight of the ASRS. Second, it is to serve as an ongoing reference manual for current Trustees and ASRS staff.

This Handbook will be reviewed by the Board at least triennially, or more often if necessary. It will be updated at the Board's direction. The Executive Director will recommend modifications for the Board's consideration.

The Board's Role

The ASRS Board was established under state law to govern and administer the ASRS. The Board has only those powers and duties that have been delegated to it by the Legislature. Within this role, the Trustees have a duty as fiduciaries under the law to act solely for the benefit of members and beneficiaries. (A.R.S. § 38-714, Arizona Constitution, Article 29, Section 1)

The Board views itself as being primarily an oversight and strategic policy-making body. The Board has delegated the leadership, management and administrative functions to the ASRS Director and staff subject to ongoing monitoring and oversight. The Board has also delegated the hiring and termination of investment managers to the (Director's) Asset Class Committees. The Board does not engage in regular day-to-day management functions of the ASRS.

Board Composition (A.R.S. § 38-713)

The Board is composed of nine Trustees who are appointed by the Governor pursuant to the following statutory requirements:

1. Five Trustees must be members of the ASRS as follows:
   a. An educator
   b. An employee of a political subdivision
   c. A retired member
   d. An employee of the state
   e. An at-large member representing any ASRS member group
2. Four Trustees are not members of the ASRS and represent the public.

Trustee Terms, Resignations, and Vacancies

1. Each Trustee is appointed for a term of three years. The terms of office are staggered with three positions beginning and expiring on the third Monday in January of each year.
2. Trustees continue to serve in their positions after the expiration of their terms of appointment in accordance with law.
3. Individual Trustees may resign from their position on the Board by providing appropriate notice to the Governor. In such case, the resignation is not effective until accepted by the Governor. (A.R.S. §§ 38-291, 38-294)
4. Trustee position vacancies that otherwise occur before the expiration of a term will be filled by the Governor. (A.R.S. §§ 38-211, 38-713)
5. A position shall be deemed vacant if a trustee ceases to discharge their duties for a period of three consecutive months. (A.R.S. § 38-291)
6. Insufficient participation or engagement by a Trustee will be addressed by the Board Chair who will speak to the Trustee. If that does not resolve the problem, the Chair will contact the Governor's Office for assistance.

Duties and Responsibilities

The Board proactively oversees the delivery of ASRS benefits and investment of trust assets. Consistent with fiduciary standards the ASRS Board will:

1. Oversee and participate in the long-term strategic planning process for the ASRS.
2. Appoint, annually evaluate, and, if necessary, remove the Director in accordance with state law.
3. Delegate the leadership, management and administrative responsibilities of the ASRS to the Director through the Director Position Description, and delegate the hiring and termination of investment managers to the Director through the asset class committee structure.
4. Approve the creation or dissolution of standing and special committees of the Board.
5. Approve the selection, and termination, and oversee the performance of the following external service providers:
   a. Plan actuary and actuarial auditor
   b. External financial auditor
   c. General investment consultant(s)
   d. Third-party administration providers for health and long-term disability
6. Review and approve macro-level strategic investment policies which guide the strategic vision for ASRS investments.
   a. SIP001 Asset Allocation (PLAN)
   b. SIP002 Fund Position and Rebalancing (PLAN)
   c. SIP003 Asset Allocation (LTD)
   d. SIP004 Fund Rebalancing (LTD)
   e. SIP005 Securities Litigation
   f. SIP006 Investment Manager , Partner, and Co-Investment Selection and Oversight
7. Establish high level or significant actuarial funding methods and assumptions, benefit option factors, and an asset valuation method consistent with state law.
8. Conduct an annual actuarial valuation of the ASRS liabilities and submit the results to the Governor and the state legislature as required by state law.
9. Conduct an actuarial experience investigation study every five years.
10. Conduct an independent third-party audit of the actuarial funding of the ASRS benefits every five years.
11. Review, approve, and monitor the budget and budget change proposals.
12. Ensure the integrity of the financial control and reporting system.
13. Provide technical and administrative information and make recommendations on legislative proposals affecting the ASRS, without advocating for or against pension benefits modifications.
14. Hear appeals in accordance with policy established by the Board.
15. Develop and approve other governance policies, directives, and rules for the administration of the ASRS as may be adopted from time to time.
16. Obtain periodic updates from Board Committees regarding oversight activities.
17. Review agency risk management activities at least once annually.
18. Biennially approve the internal audit plan.
19. Review and approve recommendations of the Director to appoint or remove the agency's internal auditor.
20. Review annually the administration of the third-party administrator for the Supplemental Retirement Savings Plan (SRSP) as presented by the Investment Committee.
21. Review annually the administration of the third-party administrator for the Supplemental Salary Deferral Plan (SSDP) as presented by the Investment Committee.
22. Review annually the administration of the third-party administrator for the 38-955 Plan as presented by the Investment Committee.

C. TRUSTEE POSITION DESCRIPTION

Primary Responsibility

Each Trustee is individually a fiduciary for the governance and oversight of the ASRS and is obligated to act solely for the exclusive benefit of the ASRS members and beneficiaries. (Arizona Constitution, Article 29, Section 1, and A.R.S. § 38-714)

Commitments

Trustees must be willing and able to devote the necessary time to fulfill their duties on the Board. This commitment includes the responsibility to:

1. Oversee the operations of the agency.
2. Act as a member of a nine-member board of trustees to provide leadership and set the strategic direction for the ASRS.
3. Prepare for and attend scheduled Board and Committee meetings.
4. Be an informed and active member of the Board, fully participating in the decisions and actions of the Board and its committees by making independent assessments and reasonable judgments.
5. Acquire and maintain the knowledge necessary to perform the duties of a Trustee.
6. Follow policies and procedures established by the Board.
7. Be accurate when communicating with other Trustees, members, beneficiaries, interested parties, the public, and ASRS staff, and always be clear on whether the statements being made are the position of the Board or solely the position of the individual Trustee.
8. Act collegially with the other Trustees and staff in the conduct of ASRS business.
9. Bring to the attention of the Board matters of concern that affect the conduct of the business of the Board or the ASRS.
10. Comply with the Board's Code of Ethics.
11. Adhere to state law regarding confidentiality and privacy of member records and benefits.
12. Adhere to Open Meeting Law. (A.R.S. §§ 38-431 et seq.)
13. Assume responsibility for evaluating the Trustee's own performance, the overall performance of the entire Board, and the performance of the Director.
14. Seek the advice of the Director and other Trustees when necessary to fulfill their fiduciary duties.
15. Delegate leadership, management and administrative responsibilities to the ASRS Director and where appropriate to outside service providers.

Trustee Fiduciary Responsibilities

Trustees have a duty to the beneficiaries to invest and manage the funds of the trust as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the trust.

1. This standard requires the exercise of reasonable care, skill, and caution, and is to be applied to investments not in isolation but in the context of the trust portfolio and as a part of an overall investment strategy, which should incorporate risk and return objectives reasonably suitable to the trust.
2. In making and implementing investment decisions, the trustee has a duty to diversify the investments of the trust unless, under the circumstances, it is prudent not to do so.
3. In addition, the Trustee must:
   a. conform to fundamental fiduciary duties of loyalty and impartiality;
   b. act with prudence in deciding whether and how to delegate authority; and
   c. incur only costs that are reasonable in amount and appropriate to the investment responsibilities of the trusteeship.

Trustee Access to ASRS Resources

1. A Trustee shall not give instructions or assign tasks to individual ASRS staff.
2. A Trustee shall refrain from making negative comments on staff performance other than to the Director or acting Director.
3. A Trustee should make every effort to access ASRS resources through action of the full Board.
4. A Trustee may request from the Director, or the Director's designee, information or assistance necessary to meet the Trustee's responsibilities.
5. The Director may seek the advice of the Chair and Legal Counsel or refer the matter to the full Board before complying with individual Trustee requests that, in the Director's opinion, would require a significant amount of ASRS resources or cause disruption to the regular administration of the ASRS.
6. The Director shall share any vital or useful information resulting from a Trustee request with other Trustees.
7. The Director may refuse requests of individual Trustees that are in conflict with this policy.

D. DIRECTOR POSITION DESCRIPTION

General

1. The Board will appoint the Director who shall serve at the pleasure of the Board. (A.R.S. § 38-715)
2. The Director reports to the full Board.

Delegation of Responsibilities

1. Subject to the areas reserved to the Board by state law or the ASRS Board Charter, the Director is responsible for managing the regular operations of the ASRS in accordance with Board policies and directives.
2. The Director may make prudent delegation of the Director's responsibilities to other ASRS staff or outside service providers unless specifically prohibited by law or the Board.

Specific Duties and Responsibilities

The Director will:

1. Provide leadership to the ASRS in fulfilling its statutory purpose and achieving the vision, values, investment principles, and goals outlined in the strategic plan.
2. Maintain effective and credible relationships with the members and beneficiaries of the ASRS, participating employers, executive officers of state government, the legislature, employee and retiree organizations, the media, and the public at large.
3. Project a positive image as Director of the ASRS.
4. Act as official spokesperson for the Board and the ASRS.

   With respect to legislation; if draft legislation is proposed affecting the ASRS that the ASRS Board has not already taken a position on, the Director will discuss such draft legislation at his discretion with legal representation, and the Board Chair or acting Board Chair, to formulate an agency response.

   If the draft legislation does not pertain to a benefit modification, the Director may provide relevant information and also support or oppose the draft legislation.

   If the draft legislation pertains to a benefit modification, the Director may provide relevant information but will not support or oppose the draft legislation.

   If a single piece of draft legislation covers both a benefit modification item as well as a non-benefit modification item, the Director may support or oppose the legislation, but will communicate that the support or opposition relates to the non-benefit modification item and not the benefit modification item.
5. Act as liaison between the Board and other ASRS staff and service providers.
6. Safeguard the assets of the ASRS by appointing a custodian and developing and implementing proper internal controls.
7. Account for and be responsible for ASRS data, the collection of income from all sources, maintenance of accounts, and distribution of benefits.
8. Monitor the operational and funded status of the benefit plans under the ASRS.
9. Identify strategic issues involving the design or ongoing administration of the defined benefit plan, defined contribution system, health insurance program, long term disability program, the supplemental retirement savings plan, and the supplemental salary deferral plan. Initiate analysis or action as appropriate.
10. Provide necessary staffing, support and resources to the Board and its committees.
11. Proactively assist and advise the Board and its committees with regard to issues requiring Board policy or action.
12. Appoint or remove the Deputy Director, Chief Investment Officer, and Assistant Director(s) positions or other staff as required.
13. Appoint the State Social Security Representative.
14. Recommend to the Board the appointment or removal of the internal auditor.
15. Perform annual performance evaluations of those who have a direct reporting relationship to the Director.

16. Be responsible for the recruitment, hiring and day-to-day management of employees.
17. Ensure the accurate and timely distribution of pension benefits, survivor benefits, and refunds.
18. Review and approve transfers between the ASRS and other retirement plans. (A.R.S. §§ 38-730 and 38-921)
19. Review and approve domestic relations orders. (A.R.S. § 38-773)
20. Review and approve employer applications for ASRS membership. (A.R.S. § 38-729)
21. Adjust the maximum compensation limits (A.R.S. § 38-746), contribution limits (A.R.S. § 38-747) and maximum retirement benefit amounts (A.R.S. § 38-769) when the limits and amounts are adjusted by the United States Secretary of the Treasury pursuant to the Internal Revenue Code.
22. Maintain a process for handling member and participating employer appeals of staff decisions and statutory interpretations.
23. Assist the Board in reviewing and adopting actuarial assumptions, funding methods, benefit option factors and actuarial valuation methods for the ASRS.
24. Initiate the annual actuarial valuations, periodic actuarial experience studies and independent actuarial audits as required by state law or Board policy and work with the actuary in determining and/or recommending appropriate assumptions.
25. Oversee and assist the Chief Investment Officer in developing macro-level strategic investment policies.
26. Review and approve standard operating procedures for the Investment Management Division.
27. Execute and manage investments in accordance with Board directives.
28. Assist the Board in soliciting and selecting of the following service providers:
    a. Consulting actuaries and actuarial auditors
    b. External financial auditor
    c. General investment consultants
    d. Third-party administration providers for health and long-term disability benefits
29. Approve contract extensions.
30. Approve the selection and termination of the 38-955 Plan, the Supplemental Retirement Savings Plan (SRSP) and the Supplemental Savings Deferral Plan (SSDP) investment options, and third-party administrators.
31. Review and approve, with the consensus of the CIO, recommendations from ASRS Asset Class committees, to hire and terminate investment managers/partners.
32. Review and approve recommendations from ASRS Asset Class committees to hire and terminate asset class consultants. The Investment Committee must consent to the Director's recommendation before a primary consultant for an Asset Class committee is hired or terminated.
33. Except as otherwise noted, oversee the performance of all other service providers to the ASRS.
34. Develop and recommend to the Board, an appropriated operating budget. Manage and monitor expenditures within the budget and provide reports to the Operations and Audit Committee or Board as necessary or directed.
35. Manage and monitor continuously appropriated expenditures as prescribed in A.R.S. §38-721.
36. Oversee the preparation of the ASRS Comprehensive Annual Financial Report.
37. Develop and deliver all operational and actuarial reports to the Governor and state legislature as required by state law after approval by the Board.
38. Perform other duties delegated by the Board.
39. Administer the Supplemental Retirement Savings Plan (SRSP) and report to the Investment Committee annually.
40. Administer the Supplemental Salary Deferral Plan (SSDP) and report to the Investment Committee annually.
41. Administer the 38-955 Plan and report to the Investment Committee annually.

E. ELECTION OF BOARD OFFICERS

Board Officers

The Board will elect the following Board officers:

1. Board Chair
2. Vice-chair

Election Procedure

1. Any Trustee may serve as a Board officer.
2. Any Trustee may make nomination(s) for Board officer positions, including him/herself.
3. Nominations will be made at the regular meetings of the Board in approximately May of each year.
4. Board officers will be elected by majority vote at a regular meeting of the Board prior to the start of a fiscal year. The Board Chair position shall be elected first, followed by the Board Vice-chair position.

Term

Board officers will serve for the fiscal year following their election. A Board officer typically may not serve more than three consecutive terms in one of the Board officer positions but may serve an unlimited number of non-consecutive terms.

Resignations and Vacancies

1. A Board officer may resign from their position by providing written notice to the Board and also informing the Director by copying him on the notice.
2. Board officer vacancies that otherwise occur before the expiration of a term will be filled by the Board for the balance of the term in a manner agreed upon by the Board.

Removal

The Board may remove an officer before the end of the officer's term at any time by majority vote. The vacant officer position must be filled at the next meeting of the Board.

F. BOARD CHAIR POSITION DESCRIPTION

Responsibilities and Commitments

The Chair holds a position of leadership for the Board and the ASRS and must be willing and able to devote the time necessary to fulfill these special responsibilities as the leader of the Board. This commitment includes the responsibility to:

1. Convene and conduct Board meetings in a collegial, fair, and efficient manner following Board policies, procedures, and applicable state law.
2. Review and approve the agenda for regular and special Board meetings and include any issues requested by the Trustees or the ASRS Director in accordance with Section G. *Board and Committee Meeting Protocol* of this Handbook.
3. Ensure proper and timely flow of adequate information to the Board.
4. Solicit input from Trustees regarding matters before the Board.
5. Ensure adequate time is provided for effective study and discussion of business being considered by the Board.
6. Schedule executive session meetings as necessary and in compliance with state law.
7. Make committee assignments, including chair and vice-chair positions, to committees, taking into account the desires of the Trustees.
8. Execute such documents and other legal instruments on behalf of the ASRS as required by state law or authorized by the Board.
9. Discuss performance and behavior issues with Trustees who are having a negative impact on the ASRS.
10. Perform all other duties specifically identified by the Board.

Duties of Vice-chair

The Vice-chair will act as temporary Chair in the absence of the Chair.

G. BOARD AND COMMITTEE MEETING PROTOCOL

Rules of Order and Quorum

1. The Board and its committees shall operate under the Arizona Open Meeting Law and the general guidance of Robert's Rules of Order.
2. A quorum must be present for the Board or its committees to conduct business. A majority of the Board or committee will constitute a quorum.
3. Board or committee members may not attend meetings through delegates or authorize voting by proxy.

Scheduling of Regular, Special, and Emergency Meetings

1. The Board will adopt an annual schedule identifying the time and location of regular meetings. The Board may schedule some meetings outside of the City of Phoenix metropolitan area. The Board or Board Chair may modify this schedule at its discretion.
2. The Board Chair, or any four Trustees, may call for special or emergency meetings of the Board.
3. The Director, at his discretion or as requested by the Board Chair, may post any Board Committee meeting as a dual Board and Committee meeting in order to permit interested Board members not on the particular committee to attend and participate in discussions. The committee meeting will be conducted under the committee's charter and the non-committee Trustees will not make or vote on committee motions.

Meeting Notices

1. At least twenty-four hour notice of all Board and committee meetings, including executive sessions, will be provided to the public in accordance with Arizona Open Meeting Law. (A.R.S. § 38-431.02)
2. If permitted per Arizona Open Meeting Law, in the case of an emergency meeting requiring immediate action to avoid some serious consequence, shorter notice may be provided.
3. The Board Chair or Committee Chair shall normally provide the Trustees with seven calendar days' notice of all Board and committee meetings.

Trustee Attendance by Electronic Media

A Trustee may participate in any meeting of the Board by telephone or video conference in a manner consistent with Arizona Open Meeting Law and applicable Arizona Attorney General Opinions. (A.R.S. § 38-431)

Meeting Agendas

1. The Board Chair in consultation with the Director will prepare an agenda for each Board meeting containing the specific matters to be discussed, considered or decided at the meeting.
2. The Board may discuss, consider, or make decisions only on matters on the agenda.
3. Items can be placed on a Board meeting agenda by:
   a. The Board Chair
   b. A Trustee
   c. A Board Committee
   d. The Director

   The Board Chair will add requested items to the Board meeting agenda within three months of the request. A longer period may be agreed upon by the Chair and the requestor.
4. The agenda for an executive session must contain a general description of the matter to be considered or decided at the meeting. (A.R.S. § 38-431.02)

Meeting Materials

1. The Director will make every reasonable effort to distribute related Board meeting materials to the Trustees at least five calendar days before each meeting.

2. The Director shall prepare a summary of the issues to be discussed, a staff or committee recommendation, if applicable, and a proposed motion or motions for the Board to consider.

Public Access and Testimony at Board Meetings

1. All meetings of the Board or committees are public and all persons who wish to attend may do so in accordance with Arizona Open Meeting Law. (A.R.S. §§ 38-431 et. Seq.)
2. Every agenda for regular Board or committee meetings will provide the public an opportunity to be heard. The Board Chair or Committee Chair may prescribe the time and manner of such public comment.
3. With regard to matters raised by a member of the public for which proper public notice has not been provided**,** no action may be taken at that meeting. The Board or committee may request the Director to investigate the issue further and report back to the Board or committee at a later meeting.
4. The Director, in consultation with the Chair, will convene meetings in facilities and locations that provide the public with reasonable access.
5. An individual who intends to speak at a meeting may be required by the Board to sign a register to permit compliance with minute taking required under state law.

Executive Sessions

1. The Board and its committees may conduct business in executive session as permitted by state law. (A.R.S. § 38-431) Executive sessions shall be presided over by the Chair of the Board or committee
2. Executive sessions shall be closed to the public and subject to the following conditions:
   a. The executive session must be held during a regular, special, or emergency meeting of the Board or committee.
   b. The executive session must address only those subject matters permitted under Arizona Open Meeting Law (A.R.S. § 38-431, § 38-797.03):
      - Discussion or consideration of employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee or employee of any public body.
      - Discussion or consideration of records exempt by law from public inspection, including the receipt and discussion of information or testimony that is specifically required to be maintained as confidential by state or federal law.
      - Discussion or consultation for legal advice with the attorney or attorneys of the public body.
      - Discussion or consultation with the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation.
      - Discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations with employee organizations regarding the salaries, salary schedules or compensation paid in the form of fringe benefits of employees of the public body.
      - Discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town.
      - Discussions or consultations with designated representatives of the public body in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property.
      - Per § 38-797.03, discussions resulting from an member appeal of an administrative law judge determination regarding their Long Term Disability rights, benefits or obligations if such person requests a review of the determination in an executive session.
   c. The executive session must satisfy all of the state's notice requirements under Arizona Open Meeting Law.

3. The Board will take no action while in executive session. Any such action must be taken during that portion of a meeting that is open to the public.
4. Trustees are prohibited under state law from publicly disclosing the discussions held in executive session. The Chair shall remind the Board or committee of this prohibition at the beginning of each executive session.

Meeting Minutes and Board Records

1. The Director will ensure that minutes of all meetings of the Board and committees are taken and made available to the public as required by state law.
2. The Director will prepare a written copy of the Board minutes taken at prior meetings of the Board and present it to the Board for approval at a subsequent meeting.
3. The Director will maintain records of the Board activities and actions in accordance with state law and such other documents necessary to establish a due diligence record of the Board's activities.

H. BOARD COMMITTEES and CHARTERS

General

The Board may establish standing or special committees to conduct the business of the full Board subject to the following conditions and limitations:

1. Board committees are responsible for overseeing various aspects of the ASRS administration and only have the authority to make recommendations to the Board.
2. Board committees may not act or speak for the Board.

Standing Committees

1. Standing committees are permanent committees established by the Board.
2. The standing committees of the Board are as follows:
   a. Operations and Audit Committee (OAC)
   b. External Affairs Committee (EAC)
   c. Investment Committee (IC)

Special Committees

1. Special committees may be established from time to time by the Board Chair to address limited purposes and for limited times.
2. Special committees cease to exist automatically upon the completion of their stated purpose as determined by the committee chair.

Committee Members

1. The Board Chair shall appoint members of each committee for one-year terms.
2. The Board Chair shall appoint a chair and vice-chair for each committee. These committee officer position appointments will be for one-year terms.
3. The Board Chair may remove or replace members of a committee and committee officers before the end of the terms if the Chair determines such action is in the best interest of the ASRS.

Committee Operating Rules

1. The committee chair shall call committee meetings.
2. Committee meetings shall be subject to all of the public notification and meeting requirements established for the full Board in Section G of this Handbook.
3. Committee meetings are open to all Trustees, but only committee members may participate in the dialog or vote. However, if the meeting is posted as a dual meeting of the committee and Board, all participating Trustees may participate in the dialog but only committee members may vote.
4. The committees shall report to the Board, summarizing activities and recommendations on matters that have been referred to them.
5. The Director shall provide staffing, consulting, or other resources and support to Board committees as may be necessary and within budget to meet the responsibilities assigned by the Board.

Standing Committee Charters

Operations and Audit Committee Charter

General

The Operations and Audit Committee (OAC) is a standing committee of the Board responsible for overseeing the general operations and administration of the ASRS, and for recommending Board action when required.

Composition

The Operations and Audit Committee is composed of three or four members at the discretion of the Board Chair.

Responsibilities

1. **Oversight**

   The OAC will meet regularly to evaluate ASRS performance in meeting strategic goals and objectives and managing administrative risks. Areas of responsibility are as follows:

   a. Member services, including all outreach education, walk-in counseling, member correspondence, and call center services and programs.
   b. Technology services, including development, maintenance, security, performance, and compliance with state or industry standards.
   c. General accounting and financial reporting, including compliance with industry standards, investment accounting, payroll, accounts receivable and payable, pension payroll, and contribution reporting.
   d. Collection and maintenance of member/employer accounts, including contributions, salaries and service, demographic data, and security.
   e. Benefit administration, including calculations and disbursements for all benefit types.
   f. Strategic, agency-wide staffing issues.
   g. Administration and plan design of the ASRS health insurance program.
   h. Administration and plan design of the ASRS long term disability program.
   i. Plan design of the ASRS 401(a) defined benefit plan.
   j. Governance policies and practices.
   k. Review appropriated budget request proposals; ongoing administration of the ASRS appropriated budget and continuously appropriated budget.
   l. General contract management and procurement.
   m. Strategic initiatives approved by the Board affecting operations or administration.

2. **The OAC will operate as the Audit Committee for the agency and will perform the necessary duties of an audit committee including:**

   a. Oversight of the agency's enterprise-wide risk management program.
   b. Review and approval of the biennial Audit Plan.
   c. Review and follow up on operational, investment, employer, and vendor audits.
   d. The OAC will use its discretion in reporting or making recommendations to the Board except in cases when Board action is required by governance policy (see Internal Audit Charter).

3. **Actions requiring independent Board review**

   The OAC will use its discretion in reporting or making recommendations to the Board except in cases when Board action is required by governance policy. Specifically, the OAC will forward its recommendations to the Board on the following matters:

   a. Selection or removal of a vendor or vendors to administer the ASRS health insurance programs.
   b. Selection or removal of a vendor to administer the ASRS long term disability program.
   c. Selection or removal of the ASRS external or internal auditor.
   d. Biennial review of the agency's risk management program.
   e. Biennial approval of the internal audit plan.
   f. Appropriated budget request proposals..

Internal Audit Charter

Introduction

The Internal Audit Division (IAD) is a vital part of the ASRS, providing independent, objective assurance and consulting services designed to add value and improve the organization's operations. The IAD is responsible for helping the ASRS leadership accomplish its objectives by performing independent assessments of the systems of risk management, internal controls and operating efficiency, guided by professional standards and in bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Organizational Status

The organizational status and support accorded to the IAD by the ASRS Board of Trustees (Board), the Operations and Audit Committee (OAC), and senior management are major determinants of the scope and value of the internal audit function to the agency.

The Chief Internal Auditor reports functionally to the Board through the OAC and administratively to the Director of the ASRS. The Director in consultation with the OAC or OAC Chair evaluates the performance, and subject to required ADOA guidelines, determines the remuneration of the Chief of Internal Audit. The OAC in consultation with the Director will recommend to the Board the appointment and removal of the Chief of Internal Audit.

Internal Audit personnel are independent of the ASRS activities they audit and will have no authority or responsibility for any of the procedures or activities of the ASRS. The Chief Auditor and internal audit staff are not authorized to perform operational duties for the organization. Additionally they are not authorized to initiate or approve accounting transactions external to the IAD. Internal audit staff is not authorized to direct the activities of any organization employee not employed by the internal audit division. This independence promotes essential impartial and unbiased judgments, and assures appropriate consideration and effective action on audit findings and recommendations.

The Chief of Internal Audit shall have free unrestricted access to the Chair of the OAC and the Chair and members of the Board, subject to applicable state and federal laws.

To accomplish audit objectives, Internal Audit staff is authorized to have full, free, and unrestricted access to any of the ASRS records, property, personnel, employer members, contractors, vendors, members and retirees relevant to any subject under review. Where the need is indicated, special arrangements will be made for the examination of confidential information. Internal auditors will exercise due diligence in the safeguarding and use of these resources. The Chief Auditor shall ensure that internal audit staff is instructed in the handling and safeguarding of confidential information.

Internal Audit Standards

Internal Audit activities comply with the following:

- ASRS objectives and policies;
- International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors, Inc.;
- Generally accepted government auditing standards; and
- All other applicable professional standards.

Scope Of Activities

The scope of internal audit work includes (1) the examination and evaluation of the adequacy and effectiveness of the agency's internal control systems, and (2) the quality of performance in carrying out assigned responsibilities. The scope of the above work includes:

- Developing a biennial audit plan using risk analysis, and obtaining approval from the Board.
- Ensuring that risks within and outside the organization are appropriately identified and managed.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report information.
- Evaluating compliance with current policies, plans, procedures, laws, and regulations.

- Appraising the safeguarding, and economical and efficient use of the organizations resources.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives, goals, and are in synchrony with industry best practices and whether the operations or programs are being carried out as planned.
- Evaluating in-system design related to internal controls.
- Performing special reviews and investigations as requested by the Director, the Board, and the OAC.
- Investigating reported fraud occurrences by following the agency's "Fraud, Criminal Acts, Internal Investigation and Whistleblower Policy."
- Investigating reported occurrences of fraud, embezzlement, theft, waste, etc., and recommending controls to prevent or detect such occurrences.
- Performing investigations to ensure that employers appropriately enroll employees, accurately report member earnings, follow appropriate statutes related to retirees returning to work and appropriately report other employee data.
- When audited, ensuring that contractors, including third-party administrators are meeting the objectives of the contracts, while in conformance with applicable laws, regulations, policies, procedures and best practices.

Reporting

The results of internal audits are reported to the OAC, the Director, appropriate managers, and oversight bodies. On a quarterly basis, or more frequently at the request of the OAC Chair, the Chief of Internal Audit will meet with the OAC to discuss the status of the audit plan and other significant issues involving the IAD.

The IAD will establish and maintain a system for tracking corrective action for significant audit findings reported by internal and external auditors.

Management will provide the corrective action accomplished to the IAD on a timely basis for tracking, consolidation and reporting purposes.

An external peer review of the IAD will be performed every five years and the results reported to the OAC.

Authority

The IAD was established by the Board of the ASRS. The Charter is incorporated into the ASRS Board Governance Policy Handbook and is approved by and all future amendments are approved by the Board through a majority vote. This Charter shall be reviewed at least annually and updated as required by the OC.

External Affairs Committee Charter

General

The External Affairs Committee is a standing committee of the Board responsible for assisting the Board with legislative matters, the development of administrative rules, and reviewing the Agency communications program.

Composition

The External Affairs Committee is composed of three or four members at the discretion of the Board Chair.

Responsibilities

The External Affairs Committee has the following responsibilities:

1. Legislation
   a. Work with the Director to identify legislative proposals to facilitate the efficient administration of ASRS operations and report Committee recommendations to the Board.
   b. Review new legislation and plan design changes and report Committee findings and recommendations to the Board for action.
   c. Review and monitor Board and ASRS activity regarding state legislative matters to help ensure compliance with the Legislative Review Policy and state law prohibitions on Board advocacy for or against legislation for benefit modifications. (A.R.S. § 38-714)
   d. Oversee communicating the actuarial contribution requirements and administrative costs to the legislature and other relevant parties.
2. Administrative Rulemaking
   a. Review practices and procedures for inclusion in administrative rules for the ASRS as required and consistent with state law.
   b. Recommend to the Board the addition, deletion, or modification of administrative rules and substantive Board policies.
3. Annual Communications Program

   Review the agency's annual communications program to ensure that members, employers, legislature, Governor's Office, and other constituents and interested parties are appropriately notified and/or informed about ASRS' activities, meetings, investments and other information.
4. The Committee is also responsible for other issues or topics that reasonably pertain to external affairs.

Investment Committee Charter

General

The Investment Committee (IC) is a standing committee of the Board responsible for assisting the Board in overseeing the ASRS investment program.

Composition

The Investment Committee is composed of three or four members at the discretion of the Board Chair.

Duties and Responsibilities

1. Recommend to the Board the ASRS investment goals and objectives.
2. Recommend to the Board the ASRS strategic asset allocation policy which is expected to achieve the investment goals and objectives.
3. Recommend to the Board ASRS Strategic Investment Policies and review annually the ASRS Investment Policy Statement (IPS).
4. Review and recommend to the Board changes in investment-related sections of the ASRS Board Governance Policy Handbook.
5. Review the Asset Class Committee's activities and asset class presentations.
6. Review recommendations regarding changes to asset class performance benchmarks. Subsequent approval by the Board is required.
7. Review the Tactical Fund Positioning/Portfolio Rebalancing actions.
8. Recommend to the Board the selection, and termination of the ASRS general investment consultant(s) and oversee their performance.
9. Engage the Director and CIO regarding the Investment Management Division's organizational strategic planning.
10. Receive and discuss annually ASRS investment risk reports.
11. Review annually the administration of the third-party administrator for the Supplemental Retirement Savings Plan (SRSP) and annually report any issues to the Board.
12. Review annually the administration of the third-party administrator for the Supplemental Salary Deferral Plan (SSDP) and annually report any issues to the Board.
13. Review annually the administration of the third-party administrator for the 38-955 Plan and annually report any issues to the Board.
14. Review and comment if necessary on audits related to investment management.
15. Receive and review asset class committee minutes.

I. ASSET CLASS COMMITTEES

Purpose

Asset class committees are designed to:

1. Provide authority and responsibility to the Director, CIO, and IMD staff regarding the implementation of the ASRS Strategic Asset Allocation Policy (SAAP) and associated selection of investment managers.
2. Improve the efficiency and effectiveness of the ASRS investment decision-making process.
3. Provide consistency and uniformity in investment decision-making frameworks.

Asset class committees are not deemed to constitute a sub-committee of the Investment Committee (IC) or full Board.

Duties and Responsibilities

The Director is delegated responsibility for the day-to-day management of the asset class committees.

Investment Management Division staff will be assigned to asset class committees as appropriate to provide subject matter expertise.

Asset Class Committee consultants will operate as staff extension consultants under the direction of the CIO.

Organizational Structure/Composition/Voting Protocol

The ASRS has two asset class committees:

1. Public Markets Committee (PUBMC) – This committee will manage ASRS investments in public markets and investments with public market-like characteristics. This includes traditional public U.S. and international equity and fixed income markets, bank loans, opportunistic public investments, global tactical asset allocation (GTAA), commodities, currencies, non-traditional assets and absolute rate of return strategies.
2. Private Markets Committee (PRIVMC) – This committee will manage ASRS investments in private markets and investments with private market-like characteristics. This includes private equity, real estate*, private fixed income and opportunistic private investments.

   *Includes public real estate/REIT investments.

Each asset class committee will contain the following members:

a. The Director and/or CIO (or their designee) who will chair the committee.
b. ASRS staff responsible for portfolio management.
c. Designated staff-extension consultants.

To ensure the timely flow of information, the CIO will communicate to the IC, information regarding activities of the Asset Class Committees.

Voting members of the Committee include the Director, CIO and one or more IMD Portfolio Managers. Investment manager selection decisions require the consensus of both the Director and CIO.

Staff-extension Investment Consultants

Staff-extension investment consultants are considered as an extension of the CIO and IMD staff and will be evaluated, interviewed, hired, assigned, terminated by the CIO with input from the Director and staff.

Staff-extension investment consultants will be utilized by the CIO and IMD staff to assist in the investment manager searches and other activities pertaining to the selection and monitoring of investment managers.

Selection of a particular staff-extension investment consultant will be based on those available from the approved pool of consultants and their particular strengths and ability to add value to the ASRS.

J. TRUSTEE ORIENTATION AND EDUCATION PROGRAM

General

The Board finds it is critical for the sound governance of the ASRS for Trustees to be fully informed with regard to the nature, purpose, structure, operational systems and processes of the ASRS. The Board further finds that it is important that Trustees are provided with education and training in areas that will facilitate the performance of their governance and oversight responsibilities as trustees and fiduciaries for the ASRS.

New Trustee Orientation Program

1. The Director will develop and present with the Board Chair to new Trustees an in-depth New Trustee Orientation session designed to inform new Trustees of the key functions of the ASRS and their responsibilities.
2. Newly appointed Trustees are expected as part of their fiduciary responsibilities for the ASRS to participate in the New Trustee Orientation Session within approximately two months of their appointment.
3. The Board believes the following orientation and education topics will increase Trustee understanding:
   a. History and background of the ASRS.
   b. Introduction to the executive management team and other staff as determined by the Director.
   c. The governance role of the Board and the management role of the executive staff of the ASRS.
   d. The state laws establishing the ASRS and the application of other state and federal laws.
   e. A briefing on the fiduciary duties and liabilities of Trustees and other fiduciaries of the ASRS.
   f. A briefing on conflicts of interest and ethics laws and policies and the state mandated courses on conflicts of interest laws.
   g. A review of the Board Governance Handbook and other information and documentation deemed relevant by the Director or Board Chair.
   h. A review of general retirement pension, health benefits design, LTD, and other specific benefits provided by the ASRS.
   i. A review of general actuarial funding terminology and principles and the most recent actuarial reports.
   j. A review of general institutional investment principles and the various investment policies in place.
   k. A review of the reporting and disclosure requirements of the ASRS to state entities.
   l. A review of the legal (state and federal) and political environment in which the ASRS operates.
   m. A review of the current ASRS strategic plan and new issues, trends and developments affecting the ASRS.
   n. The structure and model for the management and operation of the ASRS.
   o. The legal and legislative environment.
   p. A description and tour of ASRS offices as may be practicable.

Trustee Education Policy

1. Each Trustee is responsible for evaluating their educational needs and obtaining knowledge of specific subject matters. The Director will assist them in obtaining information on conferences or seminars to meet their education needs.
2. Trustees are to attend ongoing educational sessions to stay current on fiduciary responsibilities and are encouraged to attend conferences and seminars relating to:
   a. Investment issues and trends;
   b. Pension, healthcare, LTD, and benefits design;
   c. Fiduciary management of employee benefit trusts;
   d. Other subjects related to the oversight of the ASRS;
   e. Training required by the state of Arizona.
3. The Director will periodically provide to the Board information on available conferences and seminars.
4. The Director shall arrange for an annual fiduciary education session for the Board.

Reimbursement of Education Expenses

Payment and/or Reimbursement of travel-related expenses for Trustee orientation and education will be in accordance with the state Travel Policy.

K. STRATEGIC PLANNING POLICY *(updated 10/25/2013)*

General

Strategic planning is essential to ensuring the sound governance, oversight, and management of the ASRS. Since 1998, the ASRS has built its operation around a strategic model based on five organizing principles:

1. Look ahead with clarity of purpose by establishing an agency Vision, Values, Priorities, and Goals
2. Measure performance
3. Initiate strategic initiatives, as needed
4. Construct cost-efficient budgets and an effective workforce; and
5. Implement strong governance practices

The objectives of this policy are to:

1. Ensure that strategic priorities of the ASRS are primarily determined by the Board of Trustees, with active engagement, including recommendations, by the Director and senior staff.
2. Outline the process the ASRS will utilize when developing a Strategic Plan.
3. Describe how the Director will communicate with the Board regarding the agency's progress implementing the plan.

Strategic Planning Policy

The Board and Director will work collaboratively to ensure that:

1. Strategic priorities facing the ASRS over the short, medium, and long-term are identified, discussed, prioritized, and included in the Strategic Plan.
2. Strategic planning discussions remain focused on strategic issues that have been identified, and the strategic direction of the ASRS.
3. Strategies are developed and incorporated into the Strategic Plan to address the short, medium, and long-term priorities that have been identified by the Board.
4. The Board is updated at least annually regarding the agency's progress addressing strategic priorities.
5. Adequate resources are in place to support the successful execution of the Strategic Plan.
6. The agency's governance policy is periodically examined and updated to ensure that sound governance practices are in place.
7. Delineation of authority and autonomy is regularly discussed.

Strategic Planning Development Process

1. In preparation for Board meetings with strategic planning agenda items, the Director will ask the Board Chair for direction on how to proceed in discussing, modifying, or developing strategic priorities.
2. At least once annually, during Board meetings with strategic planning agenda items, the Trustees and Director will determine:
   a. Which strategic topics they would like discussed during the year.
   b. The number of Board meetings they would like to devote to strategic planning.
   c. Preferences for how strategic discussions should be facilitated.
   d. To facilitate the discussion, the Director will provide Trustees with a recap of:
      - Strategically-focused topics that have been discussed at prior Board and Committee meetings,
      - Strategically focused topics that have been requested by Trustees, but not yet scheduled for discussion,
      - Strategically focused topics that the Director recommends be considered for discussion.
3. Based on Trustee feedback, staff will develop a planning schedule for the upcoming year.

4. During strategic planning sessions, staff will provide background information, if needed, on topic areas that have been scheduled for discussion. This background information could include topical research, performance data, or staff's current analysis of the organization's strengths, weaknesses, opportunities, and threats, or other material requested by Trustees.
5. The Strategic Plan can be modified iteratively over its term or it can be modified only in preparation for a new Strategic Plan.
6. In the final year of the current Strategic Plan, trustees and the Director will focus Board Meetings with strategic planning agenda items on the identification of priorities for the next Strategic Plan.

Strategic Plan Reporting

1. Once the Board has identified its strategic priorities, the Director will work with staff to develop implementation strategies and performance measures for each of the priorities.
2. Staff will report at least annually to the Board on its progress addressing the strategic priorities that have been identified.
3. Trustees or the Director may request that priorities be added or deleted as needed.

L. BOARD CODE OF ETHICS

General

The Board has established the following Code of Ethics for the individual Trustees to comply with applicable state law and its duties of loyalty as fiduciaries for the ASRS.

The Board recognizes that compliance with these requirements is often complex and confusing. Trustees are strongly encouraged to seek the advice of the ASRS legal counsel whenever there is uncertainty regarding the required level of compliance from the Trustee.

State Law

Trustees will adhere, without limitation, to the following state laws as such apply to the conduct of their affairs and to carrying out their duties as trustees and fiduciaries for the ASRS:

1. Conflict of Interest Laws (A.R.S. § 38-503)

   Under the conflict of interest laws, Trustees who have a conflict of interest must disclose the interest and refrain from participating in the matter.

   A.R.S. § 38-503, provides in pertinent part:

   > A. Any public officer or employee of a public agency who has, or whose relative has, a substantial interest in any contract, sale, purchase or service to such public agency shall make known that interest in the official records of such public agency and shall refrain from voting upon or otherwise participating in any manner as an officer or employee in such contract, sale or purchase.
   >
   > B. Any public officer or employee who has, or who's relative has, a substantial interest in any decision of a public agency shall make known such interest in the official records of such public agency and shall refrain from participating in any manner as an officer or employee in such decision.

   The conflict of interest laws require a Trustee to examine proprietary and pecuniary interests of the Trustee and certain relatives of the Trustee. "Relative" is defined expansively and includes "the spouse, child, child's child, parent, grandparent, brother or sister of the whole or half blood and their spouses and the parent, brother, sister or child of a spouse." (A.R.S. § 38-502)

   A Trustee must recognize that even though the Trustee may not have a substantial interest in a decision or a contract, if one of the Trustee's relatives described in A.R.S. § 38-502 has a substantial interest in a decision or a contract, the Trustee must disclose the interest and refrain from participating in the matter. Trustees have an affirmative obligation to become aware of the interests of relatives in matters that may involve the Trustees.

   When a Trustee assesses whether the Trustee has a conflict of interest, the Trustee first must evaluate whether the Trustee or any of the Trustee's relatives has a "substantial interest" in the matter under consideration. An interest is "substantial" if it is not defined by statute as "remote" and if it is "any pecuniary or proprietary interest, either direct or indirect," of the Trustee or the Trustee's relatives. (A.R.S. § 38-502) The term "interest" is a pecuniary or proprietary interest, by which a person will gain or lose something, as contrasted with a general sympathy, feeling or bias.

   The Legislature has determined that certain interests do not influence a person's decisions or actions impermissibly. The Legislature has defined these interests as "remote interests" and has listed them in A.R.S. § 38-502. Unless the pecuniary or proprietary interest at issue falls within one of the situations statutorily specified by the Legislature to be remote, the interest is substantial and creates a conflict of interest.

   To determine whether a "substantial interest" exists, the Trustee should ask these questions:

   a. Will the decision affect, either positively or negatively, an interest of the Trustee or the Trustee's relatives?
   b. Is the interest a pecuniary or proprietary interest?
   c. Is the interest other than one statutorily designated as a remote interest?

   If the answer to each of these questions is "yes," then a substantial interest exists which requires disclosure and nonparticipation by the Trustee.

Any disclosure of a conflict resulting in a Trustee recusing him/herself from a Board or Committee decision, will be recorded in the minutes of that meeting.

2. Gifts and Gratuities

   A Trustee will not ask for or accept anything (emolument, gratuity or reward, or any promise thereof) that is not authorized by law for performing the Trustee's duties.

   A Trustee will not use or attempt to use the Trustee's position to secure valuable things or benefits for the Trustee, unless the benefits are part of the Trustee's normal compensation.

   A Trustee may not receive or agree to receive directly or indirectly compensation other than as provided by law for any service rendered or to be rendered by the Trustee personally in any matter pending before the ASRS.

   Trustees are responsible for maintaining the integrity of both the ASRS and the State of Arizona. As a result, no Trustee of the ASRS is permitted to:

   a. Use his or her official position or attendance at a conference, seminar or training for personal gain.
   b. Solicit gifts.
   c. Accept gratuities.
   d. Accept gifts or favors that may appear to be designed to influence the Trustee's official conduct.
   e. Permit him/herself to be placed under any kind of personal obligation that could lead a person to expect official favors.

   The prohibitions in this policy are in effect any time Trustees can be viewed as being on official business for the ASRS or State of Arizona.

3. Contracts for supplies and services (A.R.S. § 38-503)

   A Trustee may supply equipment, material, supplies or services to the ASRS **only** pursuant to an award or contract let after public competitive bidding. (A.R.S. § 38-503) The requirement of public competitive bidding is in addition to the disclosure and non-participation requirements of the Conflict of Interest Laws.

4. Disclosure of interests (A.R.S. § 38-509)

   When a Trustee determines that the Trustee has a substantial interest in a matter, the Trustee must disclose the interest and withdraw from all participation in the decision or contract.

   The Trustees must "maintain for public inspection in a special file all documents necessary to memorialize all disclosures of substantial interest made known pursuant to this article." (A.R.S. §§ 38-501 to -511)

   A Trustee who has a conflict of interest in any ASRS decision or in the award of a contract *must* provide written disclosure of that interest in the ASRS' special conflict of interest file. (A.R.S. § 38-503). A Trustee may either file a signed written disclosure statement fully disclosing the interest or file a copy of the official minutes of the ASRS which fully discloses the interest. (A.R.S. §§ 38-502, -509)

   Having disclosed the conflict of interest and withdrawn from participation in the matter, the Trustee must not communicate about the matter with anyone involved in the decision-making process. (A.R.S. § 38-503)

Code of Ethics

1. New Trustees are required to attend any state-provided Public Service Orientation Ethics Course.
2. Trustees shall maintain the highest ethical conduct at all times consistent with their fiduciary duty to act only for the exclusive benefit of the ASRS members and beneficiaries under state law.
3. The Trustees shall conduct themselves with integrity and exercise care, prudence and diligence in handling the affairs of the ASRS.
4. The Trustees must disclose conflicts of interest and appearance of conflicts of interest as defined under state law with respect to their fiduciary responsibility. Where a conflict of interest does exist, the Trustee must refrain from voting or otherwise participating in any manner with regard to the subject matter of the conflict.
5. The Trustees shall not:

   a. Deal with assets of the ASRS for their own interest.

b. Accept gifts or gratuities prohibited by state law.

c. Act in any transaction involving the ASRS on behalf of any party whose interests are adverse to the interests of the ASRS or the members and beneficiaries.

d. Receive any monetary or other valuable consideration for their personal account from any party conducting business with the ASRS.

Loyalty Oath

Trustees are required to sign a State of Arizona Loyalty Oath upon their appointment to the ASRS Board. (See Appendix E.)

Political Activities

Though Staff are free to make contributions to a political campaign of a trustee or to any charitable organization associated with or supported by a Trustee, Trustees shall refrain from soliciting campaign or charitable contributions from staff, including but not limited to the purchase of, selling, distributing, or receiving payment for tickets for any political fundraiser, political meeting, or other political event.

M. BOARD PERFORMANCE EVALUATION

General

The Board will conduct an annual performance evaluation of its effectiveness and that of its committees as the governing fiduciary body for the ASRS. This will serve as a means of helping ensure that the Board continues to effectively meet its responsibilities and duties.

Board Evaluation Policy

1. The Board Chair, working with the Director, will be responsible for coordinating and conducting the Board performance evaluation process.
2. The evaluation will focus on the operations and decision-making processes of the Board as well as the outcome of ASRS actions.
3. The Board Chair will provide to each Trustee the performance evaluation forms approved by the Board. The Trustees are to conduct their evaluation in the first quarter of each calendar year, preceding the Director's evaluation.
4. The Board will seek input from the Director with respect to the staff's perception regarding the Board's and Board Committees' performance.
5. The Board may seek input from the Assistant Attorney General regarding an annual evaluation of the Board's compliance with statutory and governance responsibilities.

Board Performance Evaluation Process and Forms

A way for the Board to maintain excellence in governance is to develop a policy of reviewing its own performance on an annual basis. A two-step evaluation process has been adopted:

Part A: Trustee Self-Evaluation

The purpose of having each individual Trustee evaluate him/herself is to encourage introspection and heighten awareness of the important areas of fiduciary responsibility. Trusteeship carries with it both a personal and collective duty to the members and beneficiaries. The "Trustee Self-evaluation" is an abbreviated outline and periodic reminder of what constitutes "good trusteeship."

It is recommended that this self-evaluation be performed annually, by each individual Trustee before the overall board evaluation is performed. Each year, the Board can choose how to handle the results of the evaluations.

The Trustee Self-evaluation is for the personal use of each Trustee to facilitate the full and frank examination of each Trustee's own performance. The form need not be completed or submitted, but rather each Trustee is asked to review the questions as they contemplate their self-evaluation. The objective is for this annual exercise to be helpful to the ASRS and not embarrassing to any individual.

Part B: Overall Board Evaluation

By discussing and developing an overall board evaluation, the Board demonstrates its intention to establish a process for Trustees to evaluate Board performance with candor, objectivity, and a broad perspective. Such an evaluation process presents special challenges, and it may be difficult for Trustees to speak frankly about the performance of the Board as a whole, especially in situations where there is room for improvement. Notwithstanding this difficulty, the benefits of an annual evaluation will enhance the Board's effectiveness in carrying out the mission of the ASRS.

The "Overall Board Evaluation" form contains elements of "best practices" of public retirement systems and is for the personal use of each Trustee to facilitate the full and frank discussion among the Trustees. The completed form does not need to be submitted to the full Board.

N. DIRECTOR EVALUATION PROCESS

General

The Board has delegated the responsibility of administering the ASRS to the Director and, therefore, understands that an evaluation of the performance of the Director's performance is important. The Board may conduct more frequent performance evaluations of the Director as it deems necessary.

Objectives

The evaluation of the performance of the Director is intended to:

1. Assist the Board in establishing and communicating clear, meaningful goals and performance targets for the Director.
2. Enable the Board to hold the Director accountable for performance.
3. Allow the Director to receive objective and timely feedback to help the Director perform at expected levels.

Evaluation Procedure and Criteria

1. In the first quarter of each calendar year, the Board, working with the Director, will adopt a set of performance goals and evaluation criteria to be used in evaluating the performance of the Director for the upcoming calendar year.
2. The evaluation of the performance of the Director will take place in the first quarter of each calendar year after the Board's self-evaluation is completed and will cover the preceding calendar year.
3. The subject matter addressed in the performance evaluation will include:
    a. Leadership
    b. Management/Administration/Budgeting
    c. Communication
    d. Policy matters
    e. Staff development
    f. Progress toward achieving performance business objectives previously established by the Board for the year
    g. Other matters identified by the Board
4. The Director will prepare a written summary report of accomplishments and performance for the Board to use in their discussions of his/her performance.
5. The ASRS Human Resource Department will conduct a reverse evaluation of the Director, the results of which will be presented to the Board. Participation in the reverse evaluation is voluntary and anonymous and will include the following staff:
    a. Deputy Director - Operations
    b. Assistant Director - External Affairs
    c. Chief Investment Officer
    d. Chief of Administrative Services
    e. Manager of Human Resources
    f. Manager of Management Support Services
    g. Assistant Attorney General Representative
6. The Board will reach consensus and provide a report of the Director's performance, and identify areas for improvement, if necessary.
7. The Board will meet with the Director to present and discuss the Board's evaluation of the Director's performance.

Appendix A – Trustee Self Evaluation

It is not necessary to turn this document in, it is to assist board members in contemplating their evaluation.

Review the following statements in relation to your involvement as a Trustee of the ASRS. Rank answers using the following scale: ***5 - always, 4 - almost always, 3 - sometimes, 2 - almost never, 1 - never***

	5	4	3	2	1
1. I attend the Board and Committee meetings I am expected to attend.					
2. I contribute to the discussion in a meaningful and helpful way.					
3. I fully understand my fiduciary duties and act for the benefit of all members, not merely for a particular constituency.					
4. I make an effort to be educated on the aspects of the ASRS that I do not understand.					
5. I comply with state laws and Board policies regarding conflicts of interest.					
6. I read the materials distributed before the Board meeting so I can constructively participate and make timely decisions.					
7. I work with the other Trustees and the staff in a collegial way.					
8. I understand that work requests to staff and outside consultants need to be agreed to by the Board or the Director and I act accordingly.					
9. I work with the Director in a way that creates an atmosphere of trust and cooperation.					
10. I understand the Director works for the entire Board and not for individual trustees and I act accordingly.					
11. I communicate Board governance problems to the Board Chair.					
12. As a Trustee of the Board, I have re-read Section L "Board Code of Ethics" and Appendix F "Loyalty Oath," of the Board Governance Policy Handbook and I reaffirm my understanding of these items.					

I am most concerned about the following issues:_____

_____

_____

_____

_____

_____

_____

Appendix B – Overall Board Evaluation

NAME (OPTIONAL) _____ DATE: _____

This document should be completed and submitted to the Board chair.

Rate the following statements in relation to the overall operation of the Board. Rank answers using the following scale: ***5 - always, 4 - almost always, 3 - sometimes, 2 - almost never, 1 - never***

	5	4	3	2	1
1. The Board maintains an effective oversight role with regard to benefits and investments issues.					
2. The Board knows and understands the ASRS Strategic Plan, and reflects this understanding when addressing key issues throughout the					
3. The Board engages in long-range strategic thinking and planning.					
4. The Board has achieved the business objectives it set out to accomplish this past year.					
5. The Board stays abreast of issues and trends affecting the ASRS, using this information to assess and guide the ASRS over the long term.					
6. The Board conducts a comprehensive evaluation of the Director annually.					
7. The Board ensures that new Trustees receive a prompt, thorough orientation.					
8. Board meetings are conducted in a manner that ensures open communication, meaningful participation, and sound resolution of issues.					
9. The Board meeting agendas are well-balanced, allowing time for the most critical issues.					
10. The Board and Committee meetings are handled efficiently.					
11. The Committees are effective, focusing on pertinent topics and allocating reasonable time.					
12. The Board is well-educated on both benefit and investment issues.					
13. The Board recognizes its policy-making role and reconsiders and revises policies as necessary.					
14. The Board is consistently prepared for meetings.					
15. The Board as a whole, and Trustees as individuals, evaluate their performance on an annual basis.					
16. The Board reviews and adopts a reasonable operating budget that is followed and monitored throughout the year.					
17. The Board periodically monitors investment performance and measures it against relevant benchmarks.					
18. The Board periodically monitors service to members.					
19. The Board comprehends and respects the difference between its policy-making role and the Director's management role.					
20. Board goals, expectations, and concerns are promptly, candidly and effectively communicated to the Director.					
21. The Board anticipates issues and does not often find itself reacting to "crisis" situations.					

Identify the three greatest achievements of the Agency with Board support during the past year.

1. _____

2. _____

3. _____

What critical issues need to be addressed by the Board in the future?

_____

_____

_____

_____

What suggestions do you have for improvement of the conduct of Board and Committee meetings and for Board operation and communication?

_____

_____

_____

_____

Appendix C – Director Evaluation

ASRS - Director Performance Evaluation

Name: Paul Matson

Title: Director

This form is to help you evaluate the performance of the Director of the ASRS. In each of the following rating categories, bullet points have been provided to assist you with your evaluation. Please rate the Director using the following scale and place the number on the "Rating" line in each category.

5 - Outstanding, 4 - Above Average, 3 - Satisfactory, 2 - Needs Improvement, 1 - Unacceptable

Leadership: Rating _____

- Establishes and maintains effective and credible relationships affecting the ASRS.
- Projects a positive image as the Director of the ASRS.
- Recognizes the needs and desires of others; treats others with regard, courtesy and respect.
- Maintains a "big picture" outlook and is aware of industry issues.
- Forecasts trends, responds to change and invites innovation.
- Solicits and acts upon ideas of others when needed.
- Stresses the importance of high quality customer service.
- Maintains a well-functioning management team.
- Participates in relevant and worthwhile professional organizations.

General Comments or Examples: (You need not address each point separately.)

_____

_____

_____

5 - Outstanding, 4 - Above Average, 3 - Satisfactory, 2 - Needs Improvement, 1 - Unacceptable

Management/Administration/Budgeting: Rating _____

- Manages all ASRS business functions and activities in accordance with all relevant laws, Board policies and goals
- Develops reasonable budgets, communicates them to the Board, and operates within budgetary limits
- Ensures the efficient and effective functioning of the ASRS through delegation
- Follows up on Board directives to ensure proper implementation

General Comments or Examples: (You need not address each point separately.)

_____

_____

_____

_____

5 - Outstanding, 4 - Above Average, 3 - Satisfactory, 2 - Needs Improvement, 1 - Unacceptable

Communication: Rating _____

- Keeps the Board and staff informed and communicates effectively with them
- Organizes ideas and information logically
- Speaks clearly and concisely, using understandable terminology
- Effectively and politely communicates with the members
- Professionally communicates with entities affecting the ASRS

General Comments or Examples: (You need not address each point separately.)

_____

_____

_____

5 - Outstanding, 4 - Above Average, 3 - Satisfactory, 2 - Needs Improvement, 1 - Unacceptable

Policy Matters: Rating _____

- Periodically reviews policies and makes recommendations for changes to the Board
- Accurately interprets Board policies and concerns, and develops a consistent direction for the staff to follow
- Initiates changes in day-to-day operations to conform to established Board policies
- Acts creatively to evaluate and recommend new initiatives or policies

General Comments or Examples: (You need not address each point separately.)

_____

_____

_____

5 - Outstanding, 4 - Above Average, 3 - Satisfactory, 2 - Needs Improvement, 1 - Unacceptable

Staff Development: Rating _____

- Creates an atmosphere that fosters teamwork, creativity and participation
- Communicates clear standards of performance for the executive staff
- Keeps informed and follows state personnel policies and procedures
- Encourages professional development of staff
- Addresses succession planning for key positions within the ASRS

General Comments or Examples: (You need not address each point separately.)

_____

_____

_____

_____

5 - Outstanding, 4 - Above Average, 3 - Satisfactory, 2 - Needs Improvement, 1 - Unacceptable

Progress Toward Achieving Business Objectives: Rating _____

[Previously and mutually identified goals and objectives listed here.]

1. _____

2. _____

3. _____

4. _____

5. _____

General Comments or Examples: (You need not address each point separately.)

_____

_____

_____

_____

Significant Overall Accomplishments:

_____

_____

_____

_____

_____

Areas Needing Improvement:

_____

_____

_____

_____

_____

OVERALL RATING: _____

Appendix D – General Investment Consultants

The primarily role of the ASRS general consultant(s) is to provide independent ASRS fund(s) investment reporting and performance measurement, financial market commentary and macro strategic/tactical investment advice. The general consultant attends Board and IC meetings as available/applicable, and participates in asset class committee meetings. Though not a designated asset class committee consultant, the general consultant will ensure asset class compliance with the ASRS asset allocation policy, be informed of asset class committee investment decisions, and as applicable, provide broad perspectives on opportunistic and public markets-related topics.

The general consultant will be evaluated, and interviewed by the IC, Director and CIO; the IC will make the selection and recommendation to the Board for approval. The general consultant will be hired and terminated by the Board, report to the IC and Board and, through the direction of the IC Chair, Director or CIO, be engaged at the request of the Board, IC, Director or CIO. In the event a backup general consultant is needed, a selection will be made by the IC from the approved pool of project consultants and recommended to the Board for approval.

Appendix E – Trustee Fiduciary Liability and Coverage

The liability of the Board of Trustees and its individual members in the conduct of their duties and responsibilities is established under state law as follows:

1. The Board as a whole and its individual members are not liable for any act or failure to act that is made in good faith within the scope of their responsibilities under state law. (A.R.S. § 38-791)
2. An individual member of the Board is immune from civil liability and is not subject to suit directly or by way of contribution for any act or omission resulting in any damage or injury if the member was acting in good faith and within the scope of the member's official capacity, unless the damage or injury was caused by willful and wanton or grossly negligent conduct of the member. "Official capacity" means any decision or act taken by a member of the Board to further the purpose for which the Board is established. (A.R.S. §§ 38-717 and 41-621)
3. The state and the ASRS are immune from liability for losses arising out of a judgment against the Trustees for willful and wanton conduct resulting in punitive or exemplary damages. (A.R.S. § 41-621) Liability for such damages would be the responsibility of the Trustees personally.
4. The Arizona Department of Administration is required by statute to provide coverage to the Board and to individual Trustees under the state's risk management program (A.R.S. §§ 41-621 to -625) "against all liability for acts or omissions of any nature by members of the board while acting in an authorized governmental or proprietary capacity and within the course and scope of their employment or authority." (A.R.S. § 38-717)

   Under the state's risk management program, the Board and the Trustees receive the same coverage that the state itself receives. (A.R.S. § 41-621)

   Under the state's risk management program the Board and the Trustees have coverage for "liability for acts or omissions of any nature while acting in authorized governmental or proprietary capacities and in the course and scope of employment or authorization except as provided by this chapter." (A.R.S. § 41-621)

   Under the state's risk management program the Board and the Trustees also have coverage for "[o]ther exposure to loss where insurance may be required to protect this state and its departments, agencies, boards and commissions and all officers, agents and employees acting in the course and scope of employment or authorization except as prescribed by this chapter." (A.R.S. § 41-621)

   According to A.R.S. § 41-621 acts or omissions of a Trustee would be "within the course and scope of employment or authorization" if they:

   a. Occur while performing duties or functions that the Trustees are authorized to perform.
   b. Occur "substantially within" the authorized time and space limits of a Trustee's authorization.
   c. Are done (or not done) at least in part to serve the Arizona State Retirement System.

   Under the state's risk management program, the Attorney General's Office will defend the Board and the Trustees. The Attorney General may retain outside counsel to defend the Board and the Trustees. (A.R.S. § 41-621)

   Under the state's risk management program all attorneys' fees, court costs and litigation expenses will be paid from the permanent liability loss revolving fund of the Department of Administration. (A.R.S. § 41-622) A settlement or judgment, except for punitive damages, also will be paid from this fund. (Id. and A.R.S. § 41-621)

   If a Trustee is sued based on conduct outside the course and scope of a Trustee's authorization, the state is not obligated to provide coverage for that conduct. (A.R.S. § 41-621) If the conduct is clearly outside the course and scope, the state will deny coverage. (A.R.S. § 41-621) If there is a question whether the Trustees' acts were within their official capacity, the state may reserve the right to refuse to pay any judgment and will then hire outside counsel to represent the Trustees.

   Losses arising from contractual breaches are not covered under the state's risk management program. (A.R.S. § 41-621)

STATE OF ARIZONA

LOYALTY OATH

§38-231. Officers and employees required to take loyalty oath; form; classification; definition

A. In order to ensure the statewide application of this section on a uniform basis, each board, commission, agency and independent office of this state, and of any of its political subdivisions, and of any county, city, town, municipal corporation, school district and public educational institution, shall completely reproduce this section so that the form of written oath or affirmation required in this section contains all of the provisions of this section for use by all officers and employees of all boards, commissions, agencies and independent offices.

B. any officer or employee who fails to take and subscribe to the oath or affirmation provided by this section within the time limits prescribed by this section is not entitled to any compensation until the officer or employee does so take and subscribe to the form of oath or affirmation prescribed by this section.

C. any officer or employee having taken the form of oath or affirmation prescribed by this section, and knowingly at the time of subscribing to the oath or affirmation, or at any time thereafter during the officer's or employee's term of office or employment, does commit or aid in the commission of any act to overthrow by force, violence or terrorism as defined in section 13-2301 the government of this state or of any of its political subdivisions, or advocates the overthrow by force, violence or terrorism as defined in section 13-2301 of the government of this state or of any of its political subdivisions, is guilty of a class 4 felony and, on conviction under this section, the officer or employee is deemed discharged from the office or employment and is not entitled to any additional compensation or any other emoluments or benefits which may have been incident or appurtenant to the office or employment.

D. Any of the persons referred to in article XVIII, section 10, Constitution of Arizona, as amended, relating to the employment of aliens, are exempted from any compliance with this section.

E. In addition to any other form of oath or affirmation specifically provided by law for an officer or employee, before any officer or employee enters upon the duties of the office or employment, the officer or employee shall take and subscribe the following oath or affirmation:

State of Arizona, County of _____ I, _____(type or print name) do solemnly swear (or affirm) that I will support the Constitution of the United States and the Constitution and laws of the State of Arizona, that I will bear true faith and allegiance to the same and defend them against all enemies, foreign and domestic, and that I will faithfully and impartially discharge the duties of the office of THE ARIZONA DEPARTMENT OF ADMINISTRATION according to the best of my ability, so help me God (or so I do affirm).

_____(Signature of officer or employee)

_____(Date)

F. For the purposes of this section, “officer or employee” means any person elected, appointed or employed, either on a part-time or full-time basis, by this state or any of its political subdivisions or any county, city, town, municipal corporation, school district, public educational institution or any board, commission or agency of any county, city, town, municipal corporation, school district or public educational institution.

38-611.01. Arizona state retirement system; incentive compensation plan; special pay plan

The Arizona state retirement system established by chapter 5, article 2 of this title:

1. May administer an incentive compensation plan for investment related personnel established in consultation with the director of the department of administration. The Arizona state retirement system shall file a copy of any incentive compensation plan for investment related personnel with the governor, the president of the senate, the speaker of the house of representatives, the office of strategic planning and budgeting, the joint legislative budget committee and the department of administration within ten business days of its adoption or readoption.

2. Except for the incentive compensation plan for investment related personnel, shall not establish any other compensation plans without the approval of the director of the department of administration.

3. May request that the director of the department of administration establish a special pay plan for the Arizona state retirement system director, deputy director, chief investment officer, investment related personnel and fiduciary or investment counsel. The director of the department of administration, pursuant to section 41-742, subsection C, paragraph 4, shall establish the special pay plan after considering the recommendations of the Arizona state retirement system board and using relevant market data. The director of the department of administration may adopt other special pay plans determined necessary for certain classes or groups of Arizona state retirement system employees, taking into consideration such factors as occupational patterns, economic conditions and pay ranges common to government, business and industry, and shall work with the Arizona state retirement system in establishing the plans.

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privacy statment

The Four Cornerstones of Reform

Third Cornerstone of Reform: State Government - Personnel Reform

Provisions of Personnel Reform Legislation

Consolidate Personnel Systems

- The personnel systems within the Executive Branch listed below will be consolidated into one system called the State Personnel System.
    - ADOA Personnel System, which includes 91 state agencies, boards and commissions
    - Department of Gaming
    - Department of Tourism
    - Governor's Office
    - Secretary of State
    - Arizona State Retirement System
    - Public Safety Personnel Retirement System
- The Department of Public Safety will maintain a separate personnel system for its employees.

Transition to At-Will Workforce

- Beginning September 29, 2012, the following individuals would become at-will uncovered:
    - New hires
    - Supervisors
    - Employees employed as attorneys
    - Employees employed in information technology positions
    - Employees in grade 19 and higher positions
    - A covered employee who voluntarily elects to become uncovered
    - A covered employee who voluntarily accepts a new assignment (e.g. promotion, transfer)
- A current covered employee that does not meet the criteria listed above shall remain covered as long as the employee continues in covered status without a break in service.
- Employees in positions that require full authority peace officer certification and employees in Correctional Officer I, II or III and Community Corrections Officer positions will retain their current covered/uncovered status unless the employee in the position elects to become uncovered.

Director Term and For Cause Provisions

- With the exception of the DPS Director, eliminates agency director terms and removal for cause provisions.
- Allows current directors with term provisions to continue to serve until the expiration of their term.
- Modifies the term of the DPS Director; serves concurrently with the appointing Governor.
- Amends the appointment of the director of the Industrial Commission by adding subject to Senate confirmation; the Director serves at the pleasure of the Governor.
- Amends the authority to appoint the Executive Director of Arizona State Parks to the Governor pursuant to A.R.S.§38-211; the Director serves at the pleasure of the Governor.

Search Committees

- Eliminates requirements for search committees of Cabinet Agency Directors and for the Board of Executive Clemency.

Hiring Practices

- Requires ADOA to develop procedures and standard forms for all agencies to use to verify education and work history of applicants.

Compensation

- Makes conforming changes to agencies' statutes that ADOA salary schedules are mandatory for all employees except those specifically exempted.
- Except for state employees engaged in law enforcement, probation officer and firefighting activities, eliminates the requirement for employees exempt from the Fair Labor Standards Act (FLSA) to receive leave for each hour worked over 40 hours in a work week.
- Subject to ADOA approval, allows agencies to spend monies for travel expenses associated with interviewing out-of-state candidates and relocation expenses if an out-of-state candidate is appointed; agencies must report by September 1 each year to OSPB and JLBC if any monies are spent for this purpose.
- Defines the state workweek with specific provisions for Department of Corrections.
- Allows for incentive compensation plans for investment-related positions at ASRS and PSPRS and requires ASRS and PSPRS to file a copy of the plan with the Governor, President of the Senate, Speaker of the House of Representatives, OSPB, JLBC and ADOA. Allows for special pay plans and employment contracts for certain positions at ASRS and PSPRS.
- Repeals teacher/school staff salary study by ADOA (A.R.S.§15-1331).

Administrative Leave

- Requires agencies to report to ADOA if an employee is placed on administrative leave with pay during any investigation if the leave totals 80 hours or more. Agencies must report on a weekly basis thereafter until the administrative leave is terminated.
- Requires approval from ADOA if administrative leave exceeds 30 days.

Employee Complaints

- Requires ADOA to establish procedures for reviewing harassment and discrimination complaints filed by employees.
- Whistleblower Complaints:
    - Increases the penalty for an employee who is found by the Personnel Board to have knowingly committed a prohibited personnel practice against an employee who disclosed information evidencing a violation of a law; penalty includes paying a civil penalty of $10,000 (currently $5,000), immediate dismissal, and removal from future consideration for state employment.
    - Allows a court to award reasonable attorney fees to an employee/former employee who prevails in a civil action concerning a whistleblower claim, up to $10,000.
    - Modifies the level of superior court review for whistleblower complaints from a trial de novo to a review of the administrative hearing record.

Disciplinary Actions

- With the exception of certain positions, establishes a requirement that all suspensions over 80 hours, demotions and dismissals be reviewed by ADOA prior to implementing the adverse actions.

State Personnel Board

- Increases the threshold for appealing suspensions from greater than 40 to greater than 80 hours.
- Modifies the Board's authority. The Board shall affirm the agency's decision unless the decision was arbitrary and capricious. If the Board finds the decision arbitrary and capricious or the agency has not proven by a preponderance of the evidence the facts, the Board may recommend the agency modify the disciplinary action; if cause did not exist, the Board must reverse the agency decision; the agency head shall make the final decision.
- Modifies the compensation of the Board members from $30/day to $100/day.

Law Enforcement Merit System Council

- Increases the current Law Enforcement Merit System Council (LEMSC) from three members to five members; with staggered terms, and reduces term of members from six to three years.
- For DPS employees, the Council:
    - Continues to adopt rules, administer classification, compensation and performance management systems
    - Continues to hear appeals
        - Modifies the Council's authority. The Council shall affirm the agency's decision unless the decision was arbitrary and capricious. If the Council finds the decision arbitrary and capricious or the agency has not proven by a preponderance of the evidence the facts, the Council may recommend the agency modify the disciplinary action; if cause did not exist, the Council must reverse the agency decision; the agency head shall make the final decision. If the Director does not accept the Council's recommendation, the Director shall state the reason(s) for rejecting the recommendation.
- A non-DPS covered full authority peace officer in the State Personnel System would be able to appeal a suspension of more than 40 hours, demotion or dismissal to LEMSC instead of the State Personnel Board.
- Provides for the compensation of the Board members of $100/day (currently only eligible for reimbursement of expenses).

Reduction in Force

- For covered employees, retention will be based on the employee's performance and not on seniority; prohibits an agency from adopting policies that provide retention based on tenure or seniority.

Miscellaneous

- Makes conforming changes to agencies' statutes that agency employees are subject to the new state personnel system article.
- Requires agencies to treat employees in accordance with guiding principles except those specifically exempted.
- Authorizes the reduction in state office hours to implement furloughs if necessary.
- Provides exemption from rule making requirements.
- Changes the date in which ADOA is required to submit an annual report on the financial status of the special employee insurance trust fund from March 1 to July 1.
- Effective September 29, 2012.

State of Arizona
House of Representatives
Fiftieth Legislature
Second Regular Session
2012

CHAPTER 321

HOUSE BILL 2571

AN ACT

AMENDING SECTIONS 3-107, 3-1003, 3-1003.02, 3-1211, 4-111, 4-112, 5-101.01, 5-105, 5-112, 5-224, 5-556, 5-604, 6-111, 6-112, 15-182, 15-203 AND 15-543, ARIZONA REVISED STATUTES; REPEALING SECTION 15-1331, ARIZONA REVISED STATUTES; AMENDING SECTIONS 15-1626, 15-1852, 15-2002, 17-211, 17-231, 20-141, 20-148, 23-108, 23-108.02, 23-391, 23-406, 23-1501, 26-101, 26-102, 26-305, 27-122, 27-151, 28-363, 30-103, 30-108, 30-652, 31-401, 31-402, 32-106, 32-304, 32-503, 32-703, 32-802, 32-905, 32-1103, 32-1104, 32-1205, 32-1305, 32-1307, 32-1405, 32-1509, 32-1605.01, 32-1673, 32-1704, 32-1804, 32-1903, 32-1904, 32-2003, 32-2063, 32-2109, 32-2206, 32-2207, 32-2304, 32-2904, 32-2905, 32-3003, 32-3253, 32-3403, 32-3504, 32-3506, 32-3605, 32-3903, 32-3904, 35-196.01, 36-102, 36-103, 36-273, 36-446.03, 36-450.02, 36-1943, 36-2903.01, 36-2926, 37-132, 37-623.01, 37-1122, 38-401, 38-448, 38-532, 38-610.01, 38-610.02 AND 38-611, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 38-611.01 AND 38-611.02; AMENDING SECTIONS 38-612, 38-654, 38-715, 38-848, 40-105, 40-108, 40-464, 41-121.02, 41-151.04, 41-151.05, 41-172, 41-192, 41-511.02, 41-511.05, 41-531, 41-542, 41-619.53 AND 41-701, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 41-709, 41-710 AND 41-711; AMENDING TITLE 41, CHAPTER 4, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 4; REPEALING TITLE 41, CHAPTER 4, ARTICLE 5, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 4, ARIZONA REVISED STATUTES, BY ADDING A NEW ARTICLE 5; CHANGING THE DESIGNATION OF TITLE 41, CHAPTER 4, ARTICLE 6, ARIZONA REVISED STATUTES, TO "STATE PERSONNEL BOARD"; AMENDING SECTIONS 41-781 AND 41-782, ARIZONA REVISED STATUTES; REPEALING SECTIONS 41-783 AND 41-784, ARIZONA REVISED STATUTES; TRANSFERRING

AND RENUMBERING SECTION 41-785, ARIZONA REVISED STATUTES, FOR PLACEMENT IN TITLE 41, CHAPTER 4, ARTICLE 6, AS SECTION 41-783; AMENDING SECTION 41-783, ARIZONA REVISED STATUTES, AS TRANSFERRED AND RENUMBERED BY THIS ACT; REPEALING SECTION 41-786, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-821, 41-832, 41-902, 41-903, 41-941, 41-982, 41-1009, 41-1051, 41-1092.01, 41-1604, 41-1711, 41-1830.11, 41-1830.12 AND 41-1830.13, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1830.14, ARIZONA REVISED STATUTES; AMENDING SECTION 41-1830.15, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 12, ARTICLE 10, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1830.16; AMENDING SECTIONS 41-1952, 41-1954, 41-2061, 41-2065, 41-2147, 41-2305, 41-2405, 41-2513, 41-2804, 41-2831, 41-3016.06, 41-3451, 41-3503, 41-3505, 41-3952, 41-4253, 41-4301, 41-4801, 42-1002, 42-1004, 42-1252, 42-16155, 45-104, 45-418, 49-103 AND 49-1203, ARIZONA REVISED STATUTES; RELATING TO THE STATE PERSONNEL SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE)

~~and shall not require a person to file documents or notices in order to be heard and participate in proceedings before the commission.~~

~~4. Exercise such other powers as may be necessary to fully carry out its responsibilities imposed by this chapter.~~

~~B. The commission may employ~~ SUBJECT TO TITLE 41, CHAPTER 4, ARTICLE 4 ~~or contract for legal counsel, independent from the attorney general, and other professional and administrative services. Legal counsel retained by the commission may advise and represent the commission in connection with legal matters before other departments and agencies of this state and represent the commission in litigation concerning the affairs of the commission. Contracts for legal and professional services are exempt from section 41-192 and title 41, chapter 23.~~

Sec. 89. Section 38-401, Arizona Revised Statutes, is amended to read:

38-401. Office hours for state offices

~~Unless otherwise provided by law, and except on holidays,~~ State offices shall be kept open for transaction of business from eight o'clock a.m. until five o'clock p.m. each day from Monday through Friday EXCEPT:

1. ON HOLIDAYS.

2. IN IMPLEMENTING AN AGENCY FURLOUGH IF THE DEPARTMENT OF ADMINISTRATION HAS AUTHORIZED THE STATE OFFICE TO BE CLOSED IN ORDER TO MEET THE FURLOUGH REQUIREMENTS. AN AGENCY THAT RECEIVES THIS AUTHORIZATION SHALL ENSURE THAT APPROPRIATE NOTICE IS GIVEN TO NOTIFY THE PUBLIC OF THE OFFICE CLOSURE.

3. AS OTHERWISE PROVIDED BY LAW.

Sec. 90. Section 38-448, Arizona Revised Statutes, is amended to read:

38-448. State employees; access to internet pornography prohibited; cause for dismissal; definitions

A. Except to the extent required in conjunction with a bona fide, agency approved research project or other agency approved undertaking, an employee of an agency shall not knowingly use agency owned or agency leased computer equipment to access, download, print or store any information infrastructure files or services that depict nudity, sexual activity, sexual excitement or ultimate sexual acts as defined in section 13-3501. Agency heads shall give, in writing, any agency approvals. Agency approvals are available for public inspection pursuant to section 39-121.

B. An employee who violates this section ~~performs an act that is cause for~~ MAY BE SUBJECT TO discipline or dismissal ~~of the employee and for an employee in state service is considered misuse or unauthorized use of state property pursuant to section 41-770~~.

C. All agencies shall immediately furnish their current employees with copies of this section. All agencies shall furnish all new employees with copies of this section at the time of authorizing an employee to use an agency computer.

D. For the purposes of this section:

1. "Agency" means:

(a) All offices, agencies, departments, boards, councils or commissions of this state.

(b) All state universities.

(c) All community college districts.

(d) All legislative agencies.

(e) All departments or agencies of the state supreme court or the court of appeals.

2. "Information infrastructure" means telecommunications, cable and computer networks and includes the internet, the world wide web, usenet, bulletin board systems, on-line systems and telephone networks.

Sec. 91. Section 38-532, Arizona Revised Statutes, is amended to read:

38-532. Prohibited personnel practice; violation; reinstatement; exceptions; civil penalty

A. It is a prohibited personnel practice for an employee who has control over personnel actions to take reprisal against an employee for a disclosure of information of a matter of public concern by the employee to a public body that the employee reasonably believes evidences:

1. A violation of any law.

2. Mismanagement, a gross waste of monies or an abuse of authority.

B. The disclosure by an employee to a public body alleging a violation of law, mismanagement, gross waste of monies or abuse of authority shall be in writing and shall contain the following information:

1. The date of the disclosure.

2. The name of the employee making the disclosure.

3. The nature of the alleged violation of law, mismanagement, gross waste of monies or abuse of authority.

4. If possible, the date or range of dates on which the alleged violation of law, mismanagement, gross waste of monies or abuse of authority occurred.

C. An employee who knowingly commits a prohibited personnel practice shall be ordered by the state personnel board, a community college district governing board, a school district governing board, a city or town personnel board or any other appropriate independent personnel board established or authorized pursuant to section 38-534 to pay a civil penalty of up to five thousand dollars to the state general fund, a county general fund, a community college district unrestricted general fund, a school district maintenance and operation fund or a city or town general fund, whichever is appropriate. The employee who committed the prohibited personnel practice, not the governmental entity, shall pay the civil penalty. On a finding that an employee committed a prohibited personnel practice, the employer shall take appropriate disciplinary action including dismissal, EXCEPT THAT ON A FINDING THAT AN EMPLOYEE COMMITTED A PROHIBITED PERSONNEL PRACTICE AGAINST AN EMPLOYEE WHO DISCLOSED INFORMATION THAT THE EMPLOYEE REASONABLY BELIEVED EVIDENCED A VIOLATION OF ANY LAW, THE EMPLOYEE WHO KNOWINGLY COMMITTED THE

PROHIBITED PERSONNEL PRACTICE IS SUBJECT TO A CIVIL PENALTY OF UP TO TEN THOUSAND DOLLARS, THE EMPLOYER SHALL DISMISS THE EMPLOYEE AND THE EMPLOYEE IS BARRED FROM ANY FUTURE EMPLOYMENT BY THE GOVERNMENT ENTITY.

D. An employee or former employee against whom a prohibited personnel practice is committed may recover attorney fees, costs, back pay, general and special damages and full reinstatement for any reprisal resulting from the prohibited personnel practice as determined by the court.

E. An employee does not commit a prohibited personnel practice if he takes reprisal against an employee if that employee discloses information in a manner prohibited by law or the materials or information are prescribed as confidential by law.

F. This section may not be used as a defense in a disciplinary action where the employee is being disciplined for cause pursuant to section ~~41-770~~ 41-773, except in a hearing on a complaint brought pursuant to this section by an employee or former employee who believes he has been the subject of a prohibited personnel practice as prescribed in this section as the result of a disclosure of information.

G. On request or at any time an employee alleges reprisal, an employer shall provide an employee who is subject to disciplinary or corrective action, suspension, demotion or dismissal with a copy of this section.

H. If an employee or former employee believes that a personnel action taken against him is the result of his disclosure of information under this section, he may make a complaint to an appropriate independent personnel board, if one is established or authorized pursuant to section 38-534, or to a community college district governing board, school district governing board or city or town council. If an independent personnel board has not been established or authorized, or if a school district governing board, a community college district governing board or A city or town council does not hear and decide personnel matters brought pursuant to this section, the employee or former employee may make a complaint to the state personnel board. A complaint made pursuant to this subsection shall be made within ten days of the effective date of the action taken against him. The state personnel board, a school district governing board, a community college district governing board, a city or town council or any other appropriate independent personnel board shall, pursuant to the rules governing appeals under section ~~41-785~~ 41-783, make a determination concerning:

1. The validity of the complaint.

2. Whether a prohibited personnel practice was committed against the employee or former employee as a result of disclosure of information by the employee or former employee.

I. If the state personnel board, a community college district governing board, a school district governing board, a city or town council or any other appropriate independent personnel board established or authorized pursuant to section 38-534 determines that a prohibited personnel practice was committed as a result of disclosure of information by the employee or former employee, it shall rescind the personnel action and order that all

lost pay and benefits be returned to the employee or former employee. The employee, former employee, employee alleged to have committed a prohibited personnel practice pursuant to subsection A of this section or employer may appeal the decision of the state personnel board, a community college district governing board, a school district governing board, a city or town council or any other appropriate independent personnel board established or authorized pursuant to section 38-534 to the superior court as provided in title 12, chapter 7, article 6. ~~Notwithstanding section 12-910, an appeal to the superior court under this subsection shall be tried de novo.~~

J. For purposes of a hearing by the state personnel board, a school district governing board, a community college district governing board, a city or town council or any other appropriate independent personnel board conducted under this section, the employee, former employee, employee alleged to have committed the prohibited personnel practice pursuant to subsection A of this section and employer may be represented by counsel. In addition, representation by counsel in such hearings shall meet any other requirements stipulated by the state personnel board, a school district governing board, a community college district governing board, a city or town council or any other appropriate independent personnel board or as required by law.

K. An employee or former employee may also seek injunctive relief as is otherwise available in civil actions. A COURT MAY AWARD REASONABLE ATTORNEY FEES TO AN EMPLOYEE OR FORMER EMPLOYEE WHO PREVAILS IN AN ACTION PURSUANT TO THIS SECTION, BUT THE AWARD OF ATTORNEY FEES SHALL NOT EXCEED TEN THOUSAND DOLLARS.

L. This section shall not be construed to limit or extend the civil or criminal liability of an employee or former employee for any disclosure of information or to limit an employee's right to a separate pretermination hearing with the employee's employer, as provided by law.

M. An employee who knowingly makes a false accusation that a public officer or employee who has control over personnel actions has engaged in a violation of any law, mismanagement, a gross waste of monies or an abuse of authority is personally subject to a civil penalty of up to twenty-five thousand dollars and dismissal from employment by the employer.

Sec. 92. Section 38-610.01, Arizona Revised Statutes, is amended to read:

38-610.01. Leave of absence and compensation for officers and employees during active military service

A. If the president of the United States or the governor of this state declares that a state of emergency exists, an officer or employee of this state who is ordered to active military service of the United States or this state as a member of the national guard, air national guard, army reserve, naval reserve, marine corps reserve, air force reserve or coast guard reserve and whose state employment is ~~covered by~~ SUBJECT TO title 41, chapter 4, ~~articles 5 and 6~~ ARTICLE 4 or who is exempt pursuant to section ~~41-771~~ 41-742, subsection ~~A~~ D, paragraph 1, 2, 3~~, 4,~~ OR 5~~, 7, 8, 9, 10, 11, 12 or 13 or subsection B, paragraph 1, 2, 3, 4, 5, 7 or 8~~ is eligible for an

additional leave of absence until released from active duty by competent authority. During the additional leave of absence, the officer or employee shall continue to receive the officer's or employee's salary or compensation, less the amount of all pay and allowances for military activities while on active duty.

B. An officer or employee who receives salary or compensation pursuant to subsection A of this section is not entitled to accrue annual leave or sick leave during the period of active duty. Before qualifying for the compensation pursuant to subsection A of this section, the officer or employee must exhaust all military leave balances by the time of activation or at any time during the active duty period.

C. An officer or employee may receive compensation pursuant to subsection A of this section for the continuous duration of the officer's or employee's order.

D. Within sixty days after an officer or employee who receives pay differential pursuant to this section completes the period of active duty, the officer or employee shall provide proof that the officer or employee rendered honorable service while on active duty during any period for which the officer or employee received the pay differential pursuant to this section. The state may seek recovery of the pay differential from any person who fails to provide proof of honorable service.

E. The director of the department of administration shall establish procedures to be used by an eligible officer or employee to receive compensation pursuant to subsection A of this section.

Sec. 93. Section 38-610.02, Arizona Revised Statutes, is amended to read:

38-610.02. Leave of absence and compensation for national disaster medical system employment

A. An officer or employee of this state who is called into employment to the national disaster medical system under the United States department of health and human services and whose state employment is ~~covered by~~ SUBJECT TO title 41, chapter 4, ~~articles 5 and 6~~ ARTICLE 4 or who is exempt pursuant to section ~~41-771~~ 41-742, subsection ~~A~~ D, paragraph 1, 2, 3~~, 4,~~ OR 5~~, 7, 8, 9, 10, 11, 12 or 13 or subsection B, paragraph 1, 2, 3, 4, 5, 7 or 8~~ is eligible for an additional leave of absence until released from active duty by competent authority. During the additional leave of absence, the officer or employee shall continue to receive the officer's or employee's salary or compensation, less the amount of all pay and allowances for activities while on active duty with the national disaster medical system.

B. An officer or employee who receives salary or compensation pursuant to subsection A of this section is not entitled to accrue annual leave or sick leave during the period of active duty.

C. An officer or employee may receive compensation pursuant to subsection A of this section for the continuous duration of the officer's or employee's order.

D. Within sixty days after an officer or employee who receives pay differential pursuant to this section completes the period of active duty, the officer or employee shall provide proof that the officer or employee rendered honorable service while on active duty during any period for which the officer or employee received the pay differential pursuant to this section. This state may seek recovery of the pay differential from any person who fails to provide proof of honorable service.

E. The rights and duties of an officer or employee who is subject to this section is subject to the uniformed services employment and reemployment rights act (38 United States Code chapter 43).

F. The director of the department of administration shall establish procedures to be used by an eligible officer or employee to receive compensation pursuant to subsection A of this section.

Sec. 94. Section 38-611, Arizona Revised Statutes, is amended to read:

38-611. Compensation of certain state officers and employees

A. Except as otherwise provided in subsections ~~C~~ B and ~~D~~ C OF THIS SECTION, any officer or employee of the state, or any of its agencies, ~~who is exempt from the state personnel system shall~~ IS ENTITLED TO receive a salary within the range as ~~recommended~~ DETERMINED by the department of administration ~~in its annual recommendation to the legislature and the joint legislative budget committee~~ unless modified by the legislature.

~~B. Any officer or employee of the state, or any of its agencies, who is subject to the provisions of the state personnel system shall receive a salary within the range of the department of administration salary plan as adopted or modified by the legislature.~~

~~C.~~ B. Elected state officers, employees of the supreme court, employees of the court of appeals, employees of the legislature, employees of the governor's office, employees of the Arizona state ~~school~~ SCHOOLS for the deaf and the blind except the superintendent and the medical officer and all employees of THE ARIZONA BOARD OF REGENTS AND the state universities are exempt from the provisions of this section.

~~D.~~ C. Except as otherwise provided by statute or specific legislative appropriation, members of boards, commissions, councils or advisory committees who are authorized by law to receive compensation may receive compensation at the rate of not to exceed thirty dollars for each day engaged in the service of such board, commission, council or advisory committee.

Sec. 95. Title 38, chapter 4, article 1, Arizona Revised Statutes, is amended by adding sections 38-611.01 and 38-611.02, to read:

38-611.01. Arizona state retirement system; special pay plan

THE ARIZONA STATE RETIREMENT SYSTEM ESTABLISHED BY CHAPTER 5, ARTICLE 2 OF THIS TITLE:

1. MAY ADMINISTER AN INCENTIVE COMPENSATION PLAN FOR INVESTMENT RELATED PERSONNEL ESTABLISHED IN CONSULTATION WITH THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION. THE ARIZONA STATE RETIREMENT SYSTEM SHALL FILE A COPY OF ANY INCENTIVE COMPENSATION PLAN FOR INVESTMENT RELATED PERSONNEL WITH THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF

REPRESENTATIVES, THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE DEPARTMENT OF ADMINISTRATION WITHIN TEN BUSINESS DAYS OF ITS ADOPTION OR READOPTION.

2. EXCEPT FOR THE INCENTIVE COMPENSATION PLAN FOR INVESTMENT RELATED PERSONNEL, SHALL NOT ESTABLISH ANY OTHER COMPENSATION PLANS WITHOUT THE APPROVAL OF THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION.

3. MAY REQUEST THAT THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION ESTABLISH A SPECIAL PAY PLAN FOR THE ARIZONA STATE RETIREMENT SYSTEM DIRECTOR, DEPUTY DIRECTOR, CHIEF INVESTMENT OFFICER, INVESTMENT RELATED PERSONNEL AND FIDUCIARY OR INVESTMENT COUNSEL. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION, PURSUANT TO SECTION 41-742, SUBSECTION C, PARAGRAPH 4, SHALL ESTABLISH THE SPECIAL PAY PLAN AFTER CONSIDERING THE RECOMMENDATIONS OF THE ARIZONA STATE RETIREMENT SYSTEM BOARD AND USING RELEVANT MARKET DATA. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION MAY ADOPT OTHER SPECIAL PAY PLANS DETERMINED NECESSARY FOR CERTAIN CLASSES OR GROUPS OF ARIZONA STATE RETIREMENT SYSTEM EMPLOYEES, TAKING INTO CONSIDERATION SUCH FACTORS AS OCCUPATIONAL PATTERNS, ECONOMIC CONDITIONS AND PAY RANGES COMMON TO GOVERNMENT, BUSINESS AND INDUSTRY, AND SHALL WORK WITH THE ARIZONA STATE RETIREMENT SYSTEM IN ESTABLISHING THE PLANS.

38-611.02. Public safety personnel retirement system; special pay practices

THE BOARD OF TRUSTEES OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ESTABLISHED BY CHAPTER 5, ARTICLE 4 OF THIS TITLE:

1. MAY ADMINISTER AN INCENTIVE COMPENSATION PLAN FOR INVESTMENT RELATED PERSONNEL ESTABLISHED IN CONSULTATION WITH THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION. THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM SHALL FILE A COPY OF ANY INCENTIVE COMPENSATION PLAN FOR INVESTMENT RELATED PERSONNEL WITH THE GOVERNOR, THE PRESIDENT OF THE SENATE, THE SPEAKER OF THE HOUSE OF REPRESENTATIVES, THE OFFICE OF STRATEGIC PLANNING AND BUDGETING, THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE DEPARTMENT OF ADMINISTRATION WITHIN TEN BUSINESS DAYS OF ITS ADOPTION OR READOPTION.

2. EXCEPT FOR THE INCENTIVE COMPENSATION PLAN FOR INVESTMENT RELATED PERSONNEL, SHALL NOT ESTABLISH ANY OTHER COMPENSATION PLANS WITHOUT THE APPROVAL OF THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION.

3. MAY REQUEST THAT THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION ESTABLISH A SPECIAL PAY PLAN FOR THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM ADMINISTRATOR, DEPUTY OR ASSISTANT ADMINISTRATOR, CHIEF INVESTMENT OFFICER, INVESTMENT RELATED PERSONNEL AND FIDUCIARY OR INVESTMENT COUNSEL. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION, PURSUANT TO SECTION 41-742, SUBSECTION C, PARAGRAPH 4, SHALL ESTABLISH THE SPECIAL PAY PLAN AFTER CONSIDERING THE RECOMMENDATIONS OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM BOARD OF TRUSTEES, INCLUDING CONSIDERATION OF THE SALARY RANGES RECOMMENDED BY AN INDEPENDENT COMPENSATION CONSULTANT AND USING RELEVANT MARKET DATA. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION MAY ADOPT OTHER SPECIAL PAY PLANS DETERMINED NECESSARY FOR CERTAIN CLASSES OR GROUPS OF PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM EMPLOYEES, TAKING INTO

CONSIDERATION SUCH FACTORS AS OCCUPATIONAL PATTERNS, ECONOMIC CONDITIONS AND PAY RANGES COMMON TO GOVERNMENT, BUSINESS AND INDUSTRY, AND SHALL WORK WITH THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM IN ESTABLISHING THE PLANS.

Sec. 96. Section 38-612, Arizona Revised Statutes, is amended to read:

38-612. Administration of payroll salary deductions

A. There shall be no payroll salary deductions from the compensation of state officers or employees except as specifically authorized by federal law or regulation or by a statute of this state. No administrative agency of this state may authorize any other deduction.

B. In addition to those payroll salary deductions required by federal law or regulation or by statute, state officers or employees may authorize deductions to be made from their salaries or wages for the payment of:

1. Premiums on any health benefits, disability plans or group life plans provided for by statute and any existing insurance programs already provided by payroll deduction.

2. Shares or obligations to any state or federally chartered credit union established primarily for the purpose of serving state officers and employees and their families.

3. Dues in a recognized association comprised principally of employees and former employees of agencies of this state, subject to the following criteria:

(a) When comprised of at least one thousand state employees other than employees of the state universities, the department of public safety and academic personnel of the Arizona state schools for the deaf and the blind.

(b) When comprised of at least twenty-five per cent of the academic personnel or of the nonacademic employees of any state university.

(c) When comprised of at least twenty-five per cent of the academic personnel of the Arizona state schools for the deaf and the blind.

(d) When comprised of at least five hundred state employees who are certified as peace officers by the Arizona peace officer standards and training board established by section 41-1821.

4. Deferred compensation or tax sheltered annuity salary reductions when made under approved plans.

5. Federal savings bond plans.

6. Recurrent fees, charges or other payments payable to a state agency under a collection plan approved by the director of the department of administration.

7. Contributions made to a charitable organization:

(a) Organized and operated exclusively for charitable purposes and selected by the presidents of the state universities. Employees of the state universities shall be advised by form of the charitable organizations to which they may contribute through payroll salary deductions. The advisory provided under this subdivision shall be substantially similar to the following and prominently printed:

"You may contribute to any charitable organization registered under internal revenue code section 501(c)(3), tax exempt status.

_____
Charitable organization name"

This subdivision applies only to academic personnel and nonacademic employees of the state universities.

(b) Organized and operated exclusively for charitable purposes, provided a fund drive by such an organization shall be applicable to all state agencies except the state universities covered under subdivision (a) of this paragraph and no state officer or employee of state agencies subject to this subdivision may authorize more than one deduction for charitable purposes to be in effect at the same time. This subdivision applies to all state agencies except the universities covered under subdivision (a) of this paragraph.

8. Contributions made for the purpose of contributing to a fund raising campaign for a university or a club for faculty or staff, or both, which is recognized by the university president and authorized by the Arizona board of regents. This paragraph applies only to academic personnel and nonacademic employees of the state universities.

9. Charges payable for transportation expenses pursuant to section ~~41-786~~ 41-711.

10. Payments ordered by courts of competent jurisdiction within this state.

11. Automobile or homeowner's insurance premiums.

12. Premiums for the following state sponsored group benefits that are established primarily for the purpose of serving state officers and employees and their families:

(a) Long-term care insurance.

(b) Critical care insurance.

(c) Prepaid legal services.

(d) Identity theft protection services.

13. A computer system as defined in section 13-2301 for personal use.

C. In order for the department of administration to establish and maintain a dues deduction pursuant to subsection B, paragraph 3 of this section, the department of administration may establish and maintain the deduction without the appropriation of any additional monies or technological improvements. The department of administration shall track all personnel hours dedicated to dues deduction. The department of administration may charge a fee to a recognized association that qualifies under subsection B, paragraph 3 of this section for establishing the automatic dues deduction and anytime changes are needed in the automatic dues deduction system as a result of an increase or decrease in association dues. If the membership criteria of a recognized association falls below the criteria set forth in subsection B, paragraph 3 of this section, the recognized association shall be on probation for one year. If the membership of a recognized association falls below the criteria set forth in subsection B, paragraph 3 of this section for

more than one year, or if the members of the association engage in a work slowdown or work stoppage, the dues deduction authorized by this section shall immediately be discontinued.

D. For those state officers and employees under payroll systems which are under the direction of the director of the department of administration, the director shall provide for the administration of payroll deductions for the purposes set forth in this section. For all other state officers and employees and for persons receiving allowances or benefits under other state payroll and retirement systems, the appropriate state officer shall provide for such administration of payroll deductions. Such administration shall operate without cost or contribution from the state other than the incidental expense of making the deductions and remittances to the payees. If any payee requests additional services, the director of the department of administration or any other appropriate state officer may require payment for the additional cost of providing such services.

E. As a means of readily identifying the employee from whom payroll deductions are to be made, the state officer administering payroll deductions may request an employee to enter such employee's social security identification number on the payroll deduction authorization. Such number shall not be used for any other purpose.

F. The state, the director of the department of administration or any other appropriate state officer shall be relieved of any liability to employees authorizing deductions or organizations receiving deductions that may result from authorizations pursuant to this section.

Sec. 97. Section 38-654, Arizona Revised Statutes, is amended to read:

38-654. Special employee health insurance trust fund; purpose; investment of monies; use of monies; exemption from lapsing; annual report

A. There is established a special employee health insurance trust fund for the purpose of administering the state employee health insurance benefit plans. The fund shall consist of legislative appropriations, monies collected from the employer and employees for the health insurance benefit plans and investment earnings on monies collected from employees. The fund shall be administered by the director of the department of administration. Monies in the fund that are determined by the legislature to be for administrative expenses of the department of administration, including monies authorized by subsection C, paragraph 4 of this section, are subject to legislative appropriation.

B. On notice from the department of administration, 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. There shall be a separate accounting of monies contributed by the employer, monies collected from state employees and investment earnings on monies collected from employees. Monies collected from state employees for health insurance benefit plans shall be expended before expenditure of monies contributed by the employer.

C. Monies in the fund shall be used by the department of administration for the following purposes for the benefit of officers and employees who participate in a health insurance benefit plan pursuant to this article:

1. To administer a health insurance benefit program for state officers and employees.

2. To pay health insurance premiums, claims costs and related administrative expenses.

3. To apply against future premiums, claims costs and related administrative expenses.

4. To apply the equivalent of not more than one dollar fifty cents for each employee for each month to administer applicable federal and state laws relating to health insurance benefit programs and to design, implement and administer improvements to the employee health insurance or benefit program.

D. Subsection C of this section shall not be construed to require that all monies in the special employee health insurance trust fund shall be used within any one or more fiscal years. Any person who is no longer a state employee or an employee who is no longer a participant in a health insurance plan under contract with the department of administration shall have no claim on monies in the fund.

E. Monies deposited in or credited to the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

F. Claims for services rendered before July 1, 1989 shall not be paid from the special employee health insurance trust fund.

G. The department of administration shall submit an annual report on the financial status of the special employee insurance trust fund to the governor, the president of the senate, the speaker of the house of representatives, the chairpersons of the house and senate appropriations committees and the joint legislative budget committee staff by ~~March~~ JULY 1. The report shall include:

1. The actuarial assumptions and a description of the methodology used to set premiums and reserve balance targets for the health insurance benefit program for the current plan year.

2. An analysis of the actuarial soundness of the health insurance benefit program for the previous plan year.

3. An analysis of the actuarial soundness of the health insurance benefit program for the current plan year, based on both year-to-date experience and total expected experience.

4. A preliminary estimate of the premiums and reserve balance targets for the next plan year, including the actuarial assumptions and a description of the methodology used.

H. The department shall submit a report to the joint legislative budget committee detailing any changes to the type of benefits offered under the plan and associated costs at least forty-five days before making the change. The report shall include:

1. An estimate of the cost or saving associated with the change.

2. An explanation of why the change was implemented before the next plan year.

Sec. 98. Section 38-715, Arizona Revised Statutes, is amended to read:

38-715. Director; powers and duties

A. The board shall appoint a director. The ~~term of the~~ director ~~is one year and expires on June 30. On expiration of a director's term, the board may reappoint the director for another term. The board may remove the director at any time for cause~~ SHALL SERVE AT THE PLEASURE OF THE BOARD.

B. The director shall appoint a deputy director and assistant directors with the approval of the board.

C. The director, under the supervision of the board, shall:

1. Administer this article, except the investment powers and duties of investment management.

~~2. Hire employees and services the director deems necessary and prescribe their duties.~~

2. BE RESPONSIBLE FOR THE RECRUITMENT, HIRING AND DAY-TO-DAY MANAGEMENT OF EMPLOYEES.

3. Prescribe procedures to be followed by members and their beneficiaries in filing applications for benefits.

4. Be responsible for:

(a) Income and the collection of income and the accuracy of all expenditures.

(b) Maintaining books and maintaining and processing records of ASRS.

(c) The investment of temporary surplus monies only in obligations of the United States government or agencies whose obligations are guaranteed by the United States government, commercial paper or banker's acceptances for a term of not more than fifteen days.

(d) Providing continuing education programs for the board to keep the board members informed of current issues and information needed to carry out their duties.

5. Perform additional powers and duties as may be prescribed by the board and delegated to the director.

D. The director, under the supervision and approval of the board, may:

1. Delegate duties and responsibilities to such state departments as the director deems feasible and desirable to administer this article.

2. Appoint a custodian for the safekeeping of all investments owned by ASRS and register stocks, bonds and other investments in the name of a nominee.

3. Invest marketable securities owned by ASRS by entering into security loan agreements with one or more security lending entities. For the purpose of this paragraph:

(a) "Marketable securities" means securities that are freely and regularly traded on recognized exchanges or marketplaces.

(b) "Security loan agreement" means a written contract under which ASRS, as lender, agrees to lend specific marketable securities for a period of not more than one year. ASRS, under a security loan agreement, shall

retain the right to collect from the borrower all dividends, interest, premiums and rights and any other distributions to which ASRS otherwise would have been entitled. During the term of a security loan agreement ASRS shall waive the right to vote the securities that are the subject of the agreement. A security loan agreement shall provide for termination by either party on terms mutually acceptable to the parties. The borrower shall deliver collateral to ASRS or its designated representative. At all times during the term of any security loan agreement the collateral shall be in an amount equal to at least one hundred per cent of the market value of the loaned securities. A security loan agreement shall provide for payment of additional collateral on a daily basis, or at such other less frequent intervals as the value of the loaned securities increases. A security loan agreement with a security lending entity shall contain the terms and conditions of the fees to be paid to a security lending entity for servicing the security loan agreement. ASRS shall pay the fees approved by the board to the security lending entity for servicing a security loan agreement from the revenues of the security lending program.

4. Establish one or more reserve holding accounts, into which the board shall close periodically the account balances of inactive accounts. If any person files a claim and furnishes proof of ownership of any amounts in any inactive account the claim shall be paid from the reserve holding account on the same basis as if no action had been taken under this paragraph. Interest and supplemental credits shall be allocated to each reserve holding account on June 30 of each year, as determined by the board. For the purposes of this paragraph, "inactive account" means an account to which contributions have not been paid for six months or more.

5. Make retirement under this article effective retroactively to on or after the day following the date employment is terminated if the member was unable to apply before the retroactive effective date through no fault of the member.

E. The director, under supervision of the governing committee for tax deferred annuity and deferred compensation plans, may hire and supervise employees and obtain services the director deems necessary to administer article 5 of this chapter. The tax deferred annuity and deferred compensation programs established pursuant to article 5 of this chapter shall bear the costs for these employees and services.

F. The director and all persons employed by the director are ~~not~~ subject to section 38-611 ~~or~~ AND title 41, chapter 4, article ~~5 or 6~~ 4.

G. 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 ASRS POSITIONS:

1. DIRECTOR.
2. DEPUTY DIRECTOR.
3. CHIEF INVESTMENT OFFICER.
4. FIDUCIARY OR INVESTMENT COUNSEL.

Sec. 99. Section 38-848, Arizona Revised Statutes, is amended to read:

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

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 ~~R~~ 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 ~~R~~ 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 administered by the board, the fund and assets of the plans 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 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 that the board administers if the administrator, investment management and any assistant administrators follow the investment policies that are promulgated 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 which 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 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 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 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 purchase shall be restricted to stocks and exchange traded funds that, except

for bank stocks, insurance stocks and membership interests in limited liability companies, 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 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 ~~fund manager~~ 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 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 ~~fund manager~~ BOARD or administrator from contesting, or requires the ~~fund manager~~ 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 ~~fund manager~~ 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 ~~fund manager~~ 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 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.

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 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 fire fighter and peace 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.

~~2.~~ 3. Invest the funds 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 promulgated by the board.

~~3.~~ 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.

~~4.~~ 5. In accordance with the board's governance policy ~~and personnel rules~~ 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.

~~5.~~ 6. Be responsible for income, the collection of the income and the accuracy of all expenditures.

~~6.~~ 7. Recommend to the board annual contracts for the system's actuary, auditor, investment counsel, legal counsel and safeguarding of securities.

~~7.~~ 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~~, the administrator, the assistant administrators and all persons employed by them are not under the jurisdiction of the department of administration or any other agency, department or instrumentality of this state or subject to section 38-611 or title 41, chapter 4 or 6. The salaries of the administrator, assistant administrators and other employees of the board are the sole determination of 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 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.

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.

~~N.~~ 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.

~~O.~~ 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.

~~P.~~ 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.

~~Q.~~ 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.

~~R.~~ 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.

~~S.~~ 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. 100. Section 40-105, Arizona Revised Statutes, is amended to read:

40-105. Executive director; appointment; powers and duties

A. SUBJECT TO TITLE 41, CHAPTER 4, ARTICLE 4, the corporation commission shall appoint an executive director, who shall have the power to serve warrants and other process in any county of the state.

B. The executive director shall if directed by the commission:

1. Keep a record of all proceedings of the commission, issue necessary writs, warrants and notices, and perform other duties the commission prescribes.

2. Supervise and administer the overall activities of the commission divisions and employees.

3. SUBJECT TO TITLE 41, CHAPTER 4, ARTICLE 4, employ experts, engineers, statisticians, accountants, inspectors and employees necessary to perform the duties and exercise the powers of the commission.

4. Make and submit to the governor and legislature an annual report containing a complete account of the commission's transactions and proceedings for the preceding fiscal year, together with other facts, suggestions and recommendations of value to the people of this state.

C. The executive director may if directed by the commission:

1. Act as the authorized officer of the commission when performing duties necessary for processing rules adopted by the commission.

~~E. Members and employees of the board are not liable for acts done or actions taken by any board member or employee if the members or employees act in good faith following the requirements of this article.~~

Sec. 113. Section 41-701, Arizona Revised Statutes, is amended to read:

41-701. Department of administration; director; appointment

A. A department of administration is established.

B. The direction, operation and control of the department is the responsibility of the director.

C. The director shall be appointed by the governor~~, from a list of qualified candidates submitted by the committee as provided in subsection D,~~ with the advice and consent of the senate and shall serve at the pleasure of the governor.

~~D. The department's human resources division shall assist the governor in preparing a job description for the position of director and recruiting candidates for the position. The qualifications of the candidates shall be reviewed by a committee of seven persons selected by the governor. The names of all those candidates determined by the committee to be qualified for the position shall be submitted to the governor for the governor's consideration. The governor may request additional names from the committee if the governor deems necessary. For each subsequent vacancy in the position of director, a new committee shall be appointed by the governor.~~ END_STATUTE

Sec. 114. Title 41, chapter 4, article 1, Arizona Revised Statutes, is amended by adding sections 41-709, 41-710 and 41-711, to read:

41-709. Gifts and donations for employee recognition

A STATE DEPARTMENT OR AGENCY MAY ACCEPT GIFTS AND DONATIONS FROM A PUBLIC ENTITY, A PRIVATE ENTITY OR ANY PERSON FOR THE CONDUCT OF EMPLOYEE RECOGNITION PROGRAMS. GIFTS AND DONATIONS FOR EMPLOYEE RECOGNITION PROGRAMS ARE SUBJECT TO THE REQUIREMENTS OF TITLE 35, CHAPTER 1, ARTICLE 3 AND CHAPTER 23 OF THIS TITLE.

41-710. Information technology personnel; criminal history records; definitions

A. BEFORE ACCEPTING AN OFFER OF EMPLOYMENT, AN APPLICANT FOR AN INFORMATION TECHNOLOGY POSITION IN THE DEPARTMENT OF ADMINISTRATION SHALL SUBMIT A FULL SET OF FINGERPRINTS TO THE DEPARTMENT OF ADMINISTRATION FOR THE PURPOSE OF OBTAINING A STATE AND FEDERAL CRIMINAL RECORDS CHECK PURSUANT TO SECTION 41-1750 AND PUBLIC LAW 92-544. THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION SHALL REQUEST PERSONNEL WHO WERE EMPLOYED IN INFORMATION TECHNOLOGY POSITIONS ON OR BEFORE JULY 18, 2000 TO SUBMIT A FULL SET OF FINGERPRINTS IF THE DIRECTOR DETERMINES THAT IT IS NECESSARY TO ENSURE THE PRIVACY, CONFIDENTIALITY OR INTEGRITY OF DATA WITHIN THE DEPARTMENT'S CONTROL. THE DEPARTMENT OF PUBLIC SAFETY MAY EXCHANGE THIS FINGERPRINT DATA WITH THE FEDERAL BUREAU OF INVESTIGATION.

B. THE DEPARTMENT OF ADMINISTRATION SHALL NOT DISCLOSE INFORMATION OBTAINED PURSUANT TO SUBSECTION A OF THIS SECTION EXCEPT TO MEMBERS OF THE

DEPARTMENT'S STAFF SOLELY FOR THE PURPOSE OF EMPLOYMENT OF INFORMATION TECHNOLOGY PERSONNEL BY THE DEPARTMENT.

C. FOR THE PURPOSES OF THIS SECTION:

1. "APPLICANT" MEANS ANY PERSON WHO SEEKS EMPLOYMENT AS A NEW HIRE OR ANY EMPLOYEE OF THE DEPARTMENT OF ADMINISTRATION WHO SEEKS A TRANSFER, A RECLASSIFICATION OR A REASSIGNMENT TO AN INFORMATION TECHNOLOGY POSITION.

2. "INFORMATION TECHNOLOGY POSITION" MEANS ANY POSITION THAT IS IN THE DEPARTMENT OF ADMINISTRATION, THAT REQUIRES THE OPERATION OF COMPUTER SYSTEMS THAT CONTAIN OR TRANSMIT DATA TO WHICH ACCESS IS RESTRICTED BY VIRTUE OF APPLICABLE FEDERAL OR STATE LAWS, RULES OR REGULATIONS AND THAT REQUIRES ACCESS TO THE RESTRICTED DATA IN ORDER TO FULFILL THE REQUIREMENTS OF THE POSITION.

41-711. Reimbursement of transportation and telecommuting costs; definition

A. THE DIRECTOR SHALL ADOPT RULES TO PROVIDE FOR THE REIMBURSEMENT OF UP TO ONE HUNDRED PER CENT OF THE COST TO STATE EMPLOYEES OF EITHER:

1. PUBLIC TRANSPORTATION, VANPOOL OR PRIVATE BUS SERVICE TO AND FROM THEIR PLACE OF EMPLOYMENT.

2. TELECOMMUTING CONNECTIVITY.

B. FOR THE PURPOSES OF THIS SECTION, "PUBLIC TRANSPORTATION" MEANS LOCAL TRANSPORTATION OF PASSENGERS BY MEANS OF A PUBLIC CONVEYANCE OPERATED OR LICENSED BY AN INCORPORATED CITY OR TOWN OR A REGIONAL PUBLIC TRANSPORTATION AUTHORITY.

Sec. 115. Title 41, chapter 4, Arizona Revised Statutes, is amended by adding article 4, to read:

ARTICLE 4. STATE PERSONNEL SYSTEM

41-741. Definitions

IN THIS ARTICLE AND ARTICLES 5 AND 6, UNLESS THE CONTEXT OTHERWISE REQUIRES:

1. "APPOINTING AUTHORITY" MEANS THE PERSON OR GROUP OF PERSONS AUTHORIZED BY LAW OR DELEGATED AUTHORITY TO MAKE APPOINTMENTS TO FILL POSITIONS.

2. "AT WILL" MEANS AN EMPLOYMENT RELATIONSHIP WHERE EITHER PARTY TO THE RELATIONSHIP MAY SEVER THE RELATIONSHIP AT ANY TIME FOR ANY REASON OTHER THAN AN UNLAWFUL REASON.

3. "BREAK IN SERVICE" MEANS A SEPARATION FROM STATE EMPLOYMENT, REGARDLESS OF THE REASON FOR SEPARATION.

4. "CHANGE IN ASSIGNMENT" MEANS MOVEMENT OF AN EMPLOYEE TO A DIFFERENT POSITION IN THE SAME STATE AGENCY OR ANOTHER STATE AGENCY.

5. "COVERED EMPLOYEE" MEANS AN EMPLOYEE WHO:

(a) BEFORE SEPTEMBER 29, 2012, IS IN THE STATE SERVICE, IS NOT UNCOVERED PURSUANT TO SECTION 41-742, SUBSECTION A AND HAS REMAINED IN COVERED STATUS WITHOUT A BREAK IN SERVICE SINCE THAT DATE.

(b) BEFORE SEPTEMBER 29, 2012, IS IN THE STATE SERVICE, IS EMPLOYED AS A CORRECTIONAL OFFICER I, CORRECTIONAL OFFICER II, CORRECTIONAL OFFICER III

OR COMMUNITY CORRECTIONS OFFICER AND HAS REMAINED IN COVERED STATUS WITHOUT A BREAK IN SERVICE SINCE THAT DATE.

(c) BEFORE SEPTEMBER 29, 2012, IS IN THE STATE SERVICE, IS A FULL AUTHORITY PEACE OFFICER AS CERTIFIED BY THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD AND HAS REMAINED IN THAT STATUS WITHOUT A BREAK IN SERVICE SINCE THAT DATE.

(d) ON OR AFTER SEPTEMBER 29, 2012, IS A CORRECTIONAL OFFICER I, CORRECTIONAL OFFICER II, CORRECTIONAL OFFICER III OR COMMUNITY CORRECTIONS OFFICER AND IS APPOINTED TO A POSITION IN THE COVERED SERVICE, BUT DOES NOT INCLUDE A POSITION IN ANY OTHER CLASS IN THE CORRECTIONAL OFFICER CLASS SERIES OR THE COMMUNITY CORRECTIONAL OFFICER CLASS SERIES OR IN ANY OTHER CORRECTIONAL CLASS SERIES.

(e) ON OR AFTER SEPTEMBER 29, 2012, IS A FULL AUTHORITY PEACE OFFICER AS CERTIFIED BY THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD AND IS APPOINTED TO A POSITION THAT REQUIRES SUCH A CERTIFICATION IN THE COVERED SERVICE.

6. "COVERED SERVICE" MEANS THAT EMPLOYMENT STATUS CONFERRING RIGHTS OF APPEAL AS PRESCRIBED IN SECTIONS 41-782 AND 41-783 OR 41-1830.16, AS APPLICABLE.

7. "DIRECTOR" MEANS THE DIRECTOR OF THE DEPARTMENT OF ADMINISTRATION, OR THE DIRECTOR'S DESIGNEE, WHO IS RESPONSIBLE FOR ADMINISTERING THE STATE PERSONNEL SYSTEM PURSUANT TO APPLICABLE STATE AND FEDERAL LAWS.

8. "EMPLOYEE" MEANS ALL OFFICERS AND EMPLOYEES OF THIS STATE, WHETHER IN COVERED SERVICE OR UNCOVERED SERVICE, UNLESS OTHERWISE PRESCRIBED.

9. "FULL AUTHORITY PEACE OFFICER" MEANS A PEACE OFFICER WHOSE AUTHORITY TO ENFORCE THE LAWS OF THIS STATE IS NOT LIMITED BY THE RULES ADOPTED BY THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD.

10. "ORIGINAL PROBATIONARY PERIOD" MEANS THE SPECIFIED PERIOD FOLLOWING INITIAL APPOINTMENT TO COVERED SERVICE.

11. "PROBATIONARY PERIOD" MEANS A WORKING TEST PERIOD OF EMPLOYMENT IN A COVERED SERVICE POSITION FOR EVALUATION OF THE EMPLOYEE'S WORK.

12. "PROMOTIONAL PROBATION" MEANS THE SPECIFIED PERIOD OF EMPLOYMENT FOLLOWING PROMOTION OF A PERMANENT STATUS EMPLOYEE TO ANOTHER COVERED SERVICE POSITION THAT HAS A HIGHER PAY GRADE.

13. "RULES" MEANS RULES ADOPTED BY THE DEPARTMENT OF ADMINISTRATION, HUMAN RESOURCES DIVISION.

14. "STATE AGENCY" MEANS A DEPARTMENT, BOARD, OFFICE, AUTHORITY, COMMISSION OR OTHER GOVERNMENTAL BUDGET UNIT OF THIS STATE AND INCLUDES AN AGENCY ASSIGNED TO A DEPARTMENT FOR ADMINISTRATIVE PURPOSES. STATE AGENCY DOES NOT INCLUDE THE LEGISLATIVE AND JUDICIAL BRANCHES, THE ARIZONA BOARD OF REGENTS, STATE UNIVERSITIES, THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND, THE DEPARTMENT OF PUBLIC SAFETY, THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD, THE COTTON RESEARCH AND PROTECTION COUNCIL OR PUBLIC CORPORATIONS.

15. "STATE PERSONNEL BOARD" MEANS THE BOARD ESTABLISHED BY SECTION 41-781.

16. "STATE PERSONNEL SYSTEM" MEANS ALL STATE AGENCIES AND EMPLOYEES OF THOSE AGENCIES THAT ARE NOT EXEMPTED BY THIS ARTICLE.

17. "STATE SERVICE" MEANS ALL OFFICES AND POSITIONS OF EMPLOYMENT IN STATE GOVERNMENT THAT, BEFORE SEPTEMBER 29, 2012, WERE SUBJECT TO THE PROVISIONS OF ARTICLES 5 AND 6 OF THIS CHAPTER THAT WERE IN EFFECT BEFORE SEPTEMBER 29, 2012.

18. "SUPERVISOR" MEANS A STATE EMPLOYEE WHO HAS ONE OR MORE OTHER STATE EMPLOYEES REPORTING DIRECTLY TO THE PERSON AND, FOR THOSE STATE EMPLOYEES, TYPICALLY HAS THE AUTHORITY TO:

(a) APPROVE SICK OR ANNUAL LEAVE.

(b) RECOMMEND HIRING, DISCIPLINE OR DISMISSAL.

(c) ASSIGN OR SCHEDULE DAILY WORK.

(d) COMPLETE A PERFORMANCE EVALUATION.

19. "UNCOVERED EMPLOYEE" MEANS AN EMPLOYEE IN UNCOVERED SERVICE.

20. "UNCOVERED SERVICE" MEANS EMPLOYMENT AT WILL AND INCLUDES ALL STATE EMPLOYEES EXCEPT THOSE IN COVERED SERVICE.

41-742. State personnel system; covered and uncovered employees; application; exemptions

A. BEGINNING SEPTEMBER 29, 2012, UNLESS OTHERWISE PRESCRIBED IN THIS ARTICLE:

1. ALL NEW HIRES ARE AT WILL UNCOVERED EMPLOYEES.

2. ANY EMPLOYEE WHO MEETS ANY OF THE FOLLOWING CRITERIA IS AN AT WILL UNCOVERED EMPLOYEE:

(a) IS EMPLOYED AS AN ATTORNEY IN A POSITION ASSIGNED TO THE ATTORNEY SALARY SCHEDULE.

(b) A SUPERVISOR.

(c) IS AT A PAY GRADE OF NINETEEN OR ABOVE OR, IF A SUCCESSOR COMPENSATION SYSTEM IS ESTABLISHED, IN AN EQUIVALENT PAY RANGE AS DETERMINED BY THE DIRECTOR.

(d) IS IN A POSITION ASSIGNED TO THE INFORMATION TECHNOLOGY SALARY SCHEDULE, IN A POSITION ASSIGNED TO AN INFORMATION TECHNOLOGY CLASSIFICATION OR, IF A SUCCESSOR COMPENSATION SYSTEM IS ESTABLISHED, IN AN EQUIVALENT PAY RANGE AS DETERMINED BY THE DIRECTOR.

3. ANY COVERED EMPLOYEE WHO VOLUNTARILY ACCEPTS A CHANGE IN ASSIGNMENT TO A POSITION IN THE UNCOVERED SERVICE, REGARDLESS OF WHETHER THE VOLUNTARY CHANGE IN ASSIGNMENT IS A PROMOTION, DEMOTION OR LATERAL TRANSFER, IS AN AT WILL UNCOVERED EMPLOYEE ON THE START DATE OF THE VOLUNTARY CHANGE IN ASSIGNMENT.

4. A COVERED EMPLOYEE MAY VOLUNTARILY ELECT TO BECOME AN AT WILL UNCOVERED EMPLOYEE WITHOUT A CHANGE IN ASSIGNMENT ON APPROVAL BY THE STATE AGENCY HEAD AND THE DIRECTOR. IF APPROVED, THE CHANGE FROM COVERED TO UNCOVERED STATUS IS IMMEDIATE.

5. ONCE A COVERED EMPLOYEE BECOMES AN AT WILL UNCOVERED EMPLOYEE, THE CHANGE IS IRREVOCABLE.

B. EXCEPT AS PROVIDED IN SUBSECTION F OF THIS SECTION, THE PURPOSE OF THIS ARTICLE IS FOR ALL STATE AGENCIES IN THE STATE PERSONNEL SYSTEM TO TREAT EMPLOYEES PURSUANT TO THE FOLLOWING PRINCIPLES:

1. RECRUITING, SELECTING AND ADVANCING EMPLOYEES ON THE BASIS OF THE EMPLOYEE'S RELATIVE ABILITY, KNOWLEDGE AND SKILLS AFTER OPEN COMPETITION.

2. PROVIDING COMPENSATION BASED ON MERIT, PERFORMANCE, JOB VALUE AND COMPETITIVENESS WITHIN APPLICABLE LABOR MARKETS.

3. TRAINING EMPLOYEES IF THE TRAINING WILL RESULT IN BETTER ORGANIZATIONAL AND INDIVIDUAL PERFORMANCE.

4. RETAINING EMPLOYEES ON THE BASIS OF THE ADEQUACY OF THEIR PERFORMANCE, CORRECT INADEQUATE PERFORMANCE WHERE POSSIBLE AND APPROPRIATE AND SEPARATE EMPLOYEES WHOSE PERFORMANCE IS INADEQUATE.

5. MANAGING APPLICANTS AND EMPLOYEES IN ALL ASPECTS OF PERSONNEL ADMINISTRATION WITHOUT REGARD TO POLITICAL AFFILIATION, RACE, COLOR, NATIONAL ORIGIN, SEX, AGE, DISABILITY OR RELIGIOUS CREED AND WITH PROPER REGARD FOR THEIR PRIVACY AND CONSTITUTIONAL RIGHTS AS CITIZENS.

6. ENSURING THAT EMPLOYEES ARE PROTECTED AGAINST COERCION FOR PARTISAN POLITICAL PURPOSES AND ARE PROHIBITED FROM USING THEIR OFFICIAL AUTHORITY FOR THE PURPOSE OF INTERFERING WITH OR AFFECTING THE RESULT OF AN ELECTION OR NOMINATION FOR OFFICE.

C. THE DIRECTOR SHALL ESTABLISH AND ADMINISTER THE STATE PERSONNEL SYSTEM, INCLUDING:

1. A CLASSIFICATION SYSTEM AND JOB CLASSES AND ASSOCIATED KNOWLEDGE, SKILLS AND ABILITIES FOR THOSE CLASSES.

2. A CENTRALIZED JOB ANNOUNCEMENT SYSTEM TO STREAMLINE STATEWIDE RECRUITING FOR APPLICANTS.

3. A CENTRALIZED EMPLOYMENT SYSTEM TO BE USED BY ALL SUCCESSFUL APPLICANTS, INCLUDING A COMMON APPLICATION FORM TO BE USED BY ALL STATE AGENCIES.

4. A COMPENSATION SYSTEM, INCLUDING ASSIGNING PAY RANGES FOR ALL JOB CLASSES AND SPECIAL PAY PLANS FOR CERTAIN CLASSES OR GROUPS OF EMPLOYEES CONSIDERING SUCH FACTORS AS OCCUPATIONAL PATTERNS, ECONOMIC CONDITIONS AND PAY PLANS COMMON TO GOVERNMENT, BUSINESS AND INDUSTRY.

5. A STATEWIDE TRAINING PROGRAM.

6. A STATEWIDE PERFORMANCE MANAGEMENT SYSTEM.

7. AN AUDIT FUNCTION TO REVIEW STATE AGENCIES' PROCESSES AND COMPLIANCE WITH APPLICABLE STATUTES, PERSONNEL RULES AND POLICIES.

8. AN INTEGRATED SYSTEM TO PROCESS PERSONNEL, PAYROLL AND BENEFITS TRANSACTIONS AND SERVE AS THE SYSTEM OF RECORD FOR STATE EMPLOYEES.

D. THIS ARTICLE AND ARTICLES 5 AND 6 DO NOT APPLY TO:

1. AN ELECTED STATE OFFICER. AN ELECTED STATE OFFICER MEANS ONLY ELECTED OFFICIALS AND DOES NOT INCLUDE THE EMPLOYEES OF ELECTED STATE OFFICERS UNLESS EXPRESSLY PROVIDED.

2. MEMBERS OF BOARDS AND COMMISSIONS WHO ARE APPOINTED BY THE LEGISLATURE OR THE GOVERNOR, BOARD MEMBERS APPOINTED PURSUANT TO SECTION 41-619.52 UNLESS OTHERWISE PRESCRIBED BY LAW, EMPLOYEES OF THE ARIZONA

LEGISLATIVE COUNCIL, EMPLOYEES APPOINTED OR EMPLOYED BY THE LEGISLATURE, ANY LEGISLATIVE AGENCY OR EITHER HOUSE OF THE LEGISLATURE AND EMPLOYEES OF THE SUPREME COURT AND THE COURT OF APPEALS.

3. THE ARIZONA BOARD OF REGENTS, OFFICERS OR EMPLOYEES OF STATE UNIVERSITIES AND PERSONNEL OF THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND.

4. PATIENTS OR INMATES EMPLOYED IN STATE INSTITUTIONS.

5. OFFICERS AND ENLISTED PERSONNEL OF THE NATIONAL GUARD OF ARIZONA AND EMPLOYEES OF THE DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS WHO OCCUPY ARIZONA NATIONAL GUARD POSITIONS IDENTIFIED AS MOBILIZATION ASSETS.

6. THE COTTON RESEARCH AND PROTECTION COUNCIL.

7. THE DEPARTMENT OF PUBLIC SAFETY.

8. THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD.

E. UNLESS OTHERWISE PRESCRIBED IN THIS ARTICLE, SUBSECTION A, PARAGRAPHS 1, 2 AND 3 OF THIS SECTION DO NOT APPLY TO EITHER AN INITIAL APPOINTMENT TO OR CHANGES IN ASSIGNMENT TO:

1. AN EMPLOYEE OF ANY STATE AGENCY WHO IS A FULL AUTHORITY PEACE OFFICER AS CERTIFIED BY THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD.

2. AN EMPLOYEE OF THE STATE DEPARTMENT OF CORRECTIONS WHO IS EMPLOYED AS A CORRECTIONAL OFFICER I, CORRECTIONAL OFFICER II, CORRECTIONAL OFFICER III, COMMUNITY CORRECTIONS OFFICER OR, IF A SUCCESSOR CLASSIFICATION SYSTEM IS ESTABLISHED, IN AN EQUIVALENT JOB CLASS AS DETERMINED BY THE DIRECTOR.

F. SUBSECTION B, PARAGRAPH 1 OF THIS SECTION, RELATING TO OPEN COMPETITION AND SUBSECTION B, PARAGRAPH 4 OF THIS SECTION AND SUBSECTION B, PARAGRAPH 5 OF THIS SECTION, RELATING TO POLITICAL AFFILIATION, DO NOT APPLY TO:

1. EMPLOYEES OF THE GOVERNOR'S OFFICE.

2. EMPLOYEES OF OFFICES OF ELECTED OFFICIALS WHO EITHER:

(a) REPORT DIRECTLY TO THE ELECTED OFFICIAL.

(b) HEAD A PRIMARY COMPONENT OR REPORT DIRECTLY TO THE HEAD OF A PRIMARY COMPONENT OF THE OFFICE OF THE ELECTED OFFICIAL.

(c) AS A PRIMARY DUTY, DETERMINE OR PUBLICLY ADVOCATE SUBSTANTIVE PROGRAM POLICY FOR THE OFFICE OF THE ELECTED OFFICIAL.

3. THE STATE AGENCY HEAD AND EACH DEPUTY DIRECTOR, OR EQUIVALENT, OF EACH STATE AGENCY AND EMPLOYEES OF THE STATE AGENCY WHO REPORT DIRECTLY TO EITHER THE STATE AGENCY HEAD OR DEPUTY DIRECTOR.

4. EACH ASSISTANT DIRECTOR, OR EQUIVALENT, OF EACH STATE AGENCY AND EMPLOYEES IN THE STATE AGENCY WHO REPORT DIRECTLY TO AN ASSISTANT DIRECTOR.

5. ATTORNEYS IN THE OFFICE OF THE ATTORNEY GENERAL.

6. EMPLOYEES IN INVESTMENT RELATED POSITIONS IN THE STATE RETIREMENT SYSTEM OR PLANS ESTABLISHED BY TITLE 38, CHAPTER 5, ARTICLE 2, 3, 4 OR 6.

G. THIS ARTICLE AND ARTICLES 5 AND 6 OF THIS CHAPTER DO NOT CONFER ANY RIGHTS IN EXCESS OF, OR IN ADDITION TO, THOSE PREVIOUSLY AUTHORIZED TO ANY STATE EMPLOYEE.

H. THIS ARTICLE DOES NOT CREATE OR CONFER ANY CONTRACTUAL EMPLOYMENT RIGHT FOR ANY EMPLOYEE AND, UNLESS OTHERWISE PROVIDED BY LAW, STATE AGENCIES ARE PROHIBITED FROM EXECUTING EMPLOYMENT CONTRACTS WITH ANY STATE EMPLOYEE.

I. ANY COMMUNICATIONS, INCLUDING POLICY MANUALS, EMPLOYEE HANDBOOKS, JOB OFFERS AND PERFORMANCE APPRAISALS AND OTHER COMMUNICATIONS AS DETERMINED BY THE DIRECTOR, WHETHER IN WRITING OR ORAL, THAT CONFLICT WITH ARTICLE 1, 5 OR 6 OF THIS CHAPTER OR THIS ARTICLE ARE VOID AND DO NOT ALTER OR SUPERSEDE ARTICLE 1, 5 OR 6 OF THIS CHAPTER OR THIS ARTICLE.

41-743. Powers and duties of the director

A. THE DIRECTOR IS RESPONSIBLE FOR THE DIRECTION AND CONTROL OF PERSONNEL ADMINISTRATION.

B. THE DIRECTOR SHALL:

1. EMPLOY STAFF AS NECESSARY TO PERFORM THE DUTIES PRESCRIBED BY THIS ARTICLE.

2. ESTABLISH THOSE OFFICES AS THE DIRECTOR DETERMINES NECESSARY TO MAINTAIN AN EFFECTIVE AND EFFICIENT PROGRAM OF PERSONNEL ADMINISTRATION.

3. ADOPT RULES AND PROCEDURES RELATING TO PERSONNEL AND PERSONNEL ADMINISTRATION FOR BOTH COVERED AND UNCOVERED EMPLOYEES. THE RULES SHALL INCLUDE:

(a) THE ESTABLISHMENT AND MAINTENANCE OF CLASSIFICATION AND COMPENSATION PLANS.

(b) THE RECRUITMENT, SELECTION AND APPOINTMENT PROCESS OF ELIGIBLE APPLICANTS.

(c) LEAVE BENEFITS AND ADMINISTRATION.

(d) PROCEDURES FOR THE PERIODIC AND REGULAR REVIEW AND EVALUATION OF THE QUALITY AND QUANTITY OF WORK PERFORMED BY EMPLOYEES.

(e) CHANGES TO EMPLOYMENT STATUS.

(f) PROCEDURES FOR THE REVIEW OF COMPLAINTS IF THE COMPLAINT CONTAINS AN ALLEGATION OF DISCRIMINATION OR HARASSMENT.

(g) PROCEDURES REQUIRING REVIEW BY THE DIRECTOR OF DISMISSALS, SUSPENSIONS FOR MORE THAN EIGHTY WORKING HOURS OR INVOLUNTARY DEMOTIONS BEFORE ADMINISTERING THE ACTION.

(h) GRIEVANCE RIGHTS SPECIFIC TO COVERED EMPLOYEES.

(i) APPEAL RIGHTS AND OTHER RULES SPECIFIC TO COVERED EMPLOYEES.

(j) ANY OTHER ASPECTS OF PERSONNEL ADMINISTRATION AS DETERMINED BY THE DIRECTOR.

4. PROVIDE AN ANNUAL REPORT AND RECOMMENDATION TO THE LEGISLATURE AND THE JOINT LEGISLATIVE BUDGET COMMITTEE AS PROVIDED IN SECTION 41-751.

5. ESTABLISH A MANDATORY PROGRAM OF PERSONNEL MANAGEMENT TRAINING FOR ALL EMPLOYEES WITH SUPERVISORY RESPONSIBILITY THAT IS APPROPRIATE TO THE NATURE AND SCOPE OF THE EMPLOYEES' RESPONSIBILITIES. THE DIRECTOR MAY WAIVE THE MANDATORY TRAINING ON A CASE BY CASE BASIS. THE TRAINING SHALL INCLUDE AT LEAST THE FOLLOWING SUBJECTS:

(a) BASIC EMPLOYEE SUPERVISION.

(b) EMPLOYEE PERFORMANCE EVALUATIONS.

(c) EMPLOYEE DISCIPLINE.

(d) OTHER SUBJECTS AS THE DIRECTOR DETERMINES.

6. PROVIDE CONSULTATION TO STATE AGENCY MANAGEMENT IN ALL ASPECTS OF PERSONNEL MANAGEMENT TO INCREASE EFFICIENCY AND ECONOMY IN STATE AGENCIES BY IMPROVING THE METHODS OF PERSONNEL ADMINISTRATION WITH FULL RECOGNITION OF THE REQUIREMENTS AND NEEDS OF MANAGEMENT.

C. THE DIRECTOR MAY:

1. DELEGATE SPECIFIC PERSONNEL FUNCTIONS TO A STATE AGENCY HEAD CONSISTENT WITH LEGAL REQUIREMENTS.

2. ENTER INTO AGREEMENTS WITH ANY STATE AGENCY OR POLITICAL SUBDIVISION OF THIS STATE OR ANY AGENCY OF A POLITICAL SUBDIVISION OF THIS STATE TO FURNISH PERSONNEL ADMINISTRATION SERVICES AND FACILITIES OF THE DEPARTMENT. UNLESS MONIES HAVE BEEN APPROPRIATED BY THE LEGISLATURE FOR THIS PURPOSE, ANY AGREEMENT SHALL PROVIDE FOR REIMBURSEMENT TO THIS STATE OF THE ACTUAL COST OF THE SERVICES AND FACILITIES FURNISHED, AS DETERMINED BY THE DEPARTMENT.

3. SUBJECT TO LEGISLATIVE APPROPRIATION, CONTRACT FOR THE SERVICES OF CONSULTANTS NECESSARY TO PERFORM THE ANNUAL SALARY PLAN AND SALARY PLAN ADJUSTMENT RECOMMENDATIONS.

D. SUBSECTION B, PARAGRAPH 3, SUBDIVISION (g) OF THIS SECTION RELATING TO REVIEW BY THE DIRECTOR FOR CERTAIN DISCIPLINARY ACTIONS DOES NOT APPLY TO THOSE EMPLOYEES LISTED IN SECTION 41-742, SUBSECTION F.

41-744. Nonconformity with federal regulations granting federal monies

ANY PROVISION OF THIS ARTICLE THAT CONFLICTS OR IS INCONSISTENT WITH FEDERAL RULES, REGULATIONS OR STANDARDS GOVERNING THE GRANT OF FEDERAL MONIES TO ANY AGENCY OR DEPARTMENT OF THIS STATE DOES NOT APPLY TO THE AGENCY OR DEPARTMENT. THE DIRECTOR MAY VARY OR WAIVE THE TERMS OF THE RULES AND PROCEDURES AS APPLICABLE TO THESE AGENCIES AND DEPARTMENTS TO COMPLY WITH THE CONDITIONS FOR FEDERAL GRANTS.

41-745. Covered and uncovered service

A. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION OR SECTION 41-742, SUBSECTION A, AN EMPLOYEE UNDER COVERED SERVICE IS ENTITLED TO CONTINUE TO BE A COVERED EMPLOYEE AS LONG AS THE EMPLOYEE REMAINS IN COVERED STATUS WITHOUT A BREAK IN SERVICE OR AS OTHERWISE PROVIDED BY LAW. PROBATIONARY STATUS EMPLOYEES ARE REQUIRED TO COMPLETE THEIR PROBATIONARY PERIOD BEFORE OBTAINING RIGHTS OF APPEAL. ON SUCCESSFULLY COMPLETING A PROBATIONARY PERIOD, AN EMPLOYEE IN COVERED SERVICE IS ENTITLED TO HAVE APPEAL RIGHTS AS PROVIDED IN ARTICLE 6 OF THIS CHAPTER OR SECTION 41-1830.16, AS APPLICABLE.

B. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, UNCOVERED SERVICE CONSISTS OF ALL EMPLOYEES IN THE STATE AGENCIES NOT INCLUDED IN THE COVERED SERVICE. EMPLOYEES IN UNCOVERED SERVICE ARE EMPLOYEES AT WILL AND ARE NOT ENTITLED TO APPEAL RIGHTS.

C. A POSITION THAT REQUIRES CERTIFICATION AS A FULL AUTHORITY PEACE OFFICER BY THE ARIZONA PEACE OFFICER STANDARDS AND TRAINING BOARD OR A POSITION DESIGNATED AS A CORRECTIONAL OFFICER I, CORRECTIONAL OFFICER II,

CORRECTIONAL OFFICER III OR COMMUNITY CORRECTIONS OFFICER SHALL BE IN THE COVERED AND UNCOVERED SERVICE AS FOLLOWS:

1. IF, ON SEPTEMBER 29, 2012, THE POSITION IS FILLED WITH AN UNCOVERED EMPLOYEE, THE POSITION SHALL REMAIN IN THE UNCOVERED SERVICE FOR ALL FUTURE APPOINTMENTS TO THAT POSITION.

2. IF, ON SEPTEMBER 29, 2012, THE POSITION IS FILLED WITH A COVERED EMPLOYEE WHO WAS IN THE STATE SERVICE AND THE EMPLOYEE DOES NOT VOLUNTARILY ELECT TO BECOME AN AT WILL UNCOVERED EMPLOYEE, THE POSITION SHALL REMAIN IN THE COVERED SERVICE FOR THE CURRENT INCUMBENT AND FOR ALL FUTURE APPOINTMENTS TO THAT POSITION.

3. IF, ON OR AFTER SEPTEMBER 29, 2012, AN EMPLOYEE IN THE COVERED SERVICE VOLUNTARILY ELECTS TO BECOME AN AT WILL UNCOVERED EMPLOYEE, THE POSITION SHALL REMAIN IN THE UNCOVERED SERVICE FOR ALL FUTURE APPOINTMENTS TO THAT POSITION.

41-746. Refusal of consideration for employment; verification of education and work history

A. THE DIRECTOR MAY REFUSE TO CONSIDER FOR EMPLOYMENT OR REMOVE FROM CONSIDERATION FOR EMPLOYMENT ANY APPLICANT WHO:

1. HAS PRACTICED ANY DECEPTION OR FRAUD IN THE APPLICANT'S APPLICATION.

2. HAS FAILED TO REPLY WITHIN A REASONABLE TIME TO COMMUNICATIONS CONCERNING THE APPLICANT'S AVAILABILITY FOR EMPLOYMENT.

3. IS FOUND TO BE UNSUITED OR NOT QUALIFIED FOR EMPLOYMENT.

4. LACKS ANY OF THE REQUIREMENTS ESTABLISHED BY THE DIRECTOR FOR THE POSITION FOR WHICH THE APPLICANT APPLIES.

B. THE DIRECTOR SHALL DEVELOP PROCEDURES AND STANDARD FORMS TO BE USED BY ALL STATE AGENCIES TO VERIFY A CANDIDATE'S EDUCATION AND WORK HISTORY. THE PROCEDURES SHALL INCLUDE A REQUIREMENT THAT A STATE AGENCY HEAD SHALL MAKE DOCUMENTED, GOOD FAITH EFFORTS TO CONTACT CURRENT AND PREVIOUS EMPLOYERS OF A CANDIDATE TO OBTAIN INFORMATION AND RECOMMENDATIONS THAT MAY BE RELEVANT TO THE CANDIDATE'S FITNESS FOR EMPLOYMENT.

41-747. Employment procedures; violation; classification

A. AN APPOINTING AUTHORITY SHALL COMPLY WITH THE PROCEDURES PRESCRIBED IN THIS ARTICLE AND THE RULES ADOPTED BY THE DIRECTOR FOR THE RECRUITMENT, SELECTION, HIRING AND SEPARATION OF EMPLOYEES IN THE STATE PERSONNEL SYSTEM. THE APPOINTING AUTHORITY SHALL PRESCRIBE THE COMPENSATION OF AN EMPLOYEE AT ALL TIMES PURSUANT TO SECTION 38-611.

B. AN APPOINTING AUTHORITY THAT VIOLATES SUBSECTION A OF THIS SECTION AND INCURS AN OBLIGATION IS SUBJECT TO THE CIVIL AND CRIMINAL PENALTIES PRESCRIBED IN TITLE 35, CHAPTER 1.

41-748. Transfer of accumulated annual leave; definitions

A. THE DIRECTOR SHALL ADOPT PROCEDURES FOR THE TRANSFER OF ACCUMULATED ANNUAL LEAVE FROM ONE EMPLOYEE TO ANOTHER EMPLOYEE IN THE SAME STATE AGENCY AND FOR TRANSFER OF ACCUMULATED ANNUAL LEAVE FROM ONE EMPLOYEE TO ANOTHER STATE EMPLOYEE IN ANOTHER STATE AGENCY IF THE EMPLOYEES ARE MEMBERS OF THE SAME FAMILY. THE TRANSFERS MAY OCCUR IF THE EMPLOYEE TO WHOM THE LEAVE IS

TRANSFERRED HAS A SERIOUSLY INCAPACITATING AND EXTENDED ILLNESS OR INJURY OR A SERIOUSLY INCAPACITATING AND EXTENDED DISABILITY THAT IS CAUSED BY PREGNANCY OR CHILDBIRTH OR A MEMBER OF THE EMPLOYEE'S IMMEDIATE FAMILY HAS A SERIOUSLY INCAPACITATING AND EXTENDED ILLNESS OR INJURY OR A SERIOUSLY INCAPACITATING AND EXTENDED DISABILITY THAT IS CAUSED BY PREGNANCY OR CHILDBIRTH AND THE EMPLOYEE HAS EXHAUSTED ALL AVAILABLE LEAVE BALANCES. TRANSFERRED ANNUAL LEAVE SHALL BE INCREASED OR REDUCED PROPORTIONALLY BY THE DIFFERENCE IN THE SALARIES OF THE EMPLOYEES AS DETERMINED BY DEPARTMENT RULE. AN EMPLOYEE WHO RECEIVES TRANSFERRED ANNUAL LEAVE IS LIMITED TO USING SIX CONSECUTIVE MONTHS OF LEAVE PER OCCURRENCE UNLESS THE EMPLOYEE HAS APPLIED FOR LONG-TERM DISABILITY INSURANCE AS PROVIDED BY RULE.

B. FOR THE PURPOSES OF THIS SECTION:

1. "IMMEDIATE FAMILY" MEANS AN EMPLOYEE'S PARENT, SPOUSE, OR CHILD, WHETHER NATURAL, ADOPTED, FOSTER OR STEP.

2. "SAME FAMILY" MEANS AN EMPLOYEE'S SPOUSE, NATURAL CHILD, ADOPTED CHILD, FOSTER CHILD, STEPCHILD, NATURAL PARENT, STEPPARENT, ADOPTIVE PARENT, GRANDPARENT, GRANDCHILD, BROTHER, SISTER, SISTER-IN-LAW, BROTHER-IN-LAW, SON-IN-LAW, DAUGHTER-IN-LAW, MOTHER-IN-LAW, FATHER-IN-LAW, AUNT, UNCLE, NEPHEW OR NIECE.

41-749. Administrative leave; reporting

A. A STATE AGENCY HEAD SHALL REPORT TO THE DIRECTOR IF AN EMPLOYEE IS PLACED ON ADMINISTRATIVE LEAVE WITH PAY DURING THE INVESTIGATION OF ALLEGED WRONGDOING BY THE EMPLOYEE WHEN THE EMPLOYEE'S ADMINISTRATIVE LEAVE TOTALS EIGHTY CONSECUTIVE HOURS AND, THEREAFTER, SHALL REPORT TO THE DIRECTOR ON A WEEKLY BASIS UNTIL THE ADMINISTRATIVE LEAVE IS TERMINATED.

B. A STATE AGENCY HEAD SHALL OBTAIN APPROVAL FROM THE DIRECTOR IF AN EMPLOYEE'S ADMINISTRATIVE LEAVE WITH PAY EXCEEDS THIRTY WORKING DAYS.

41-750. Contribution of pro rata share for personnel division fund

A. ALL STATE AGENCIES SHALL CONTRIBUTE A PRO RATA SHARE OF THE OVERALL COST OF PERSONNEL ADMINISTRATION SERVICES PROVIDED BY THE DEPARTMENT. THE PRO RATA SHARE SHALL BE PAYABLE BY PAYROLL FUND SOURCE, AND THE RESULTANT AMOUNT SHALL BE DEPOSITED, PURSUANT TO SECTIONS 35-146 AND 35-147, IN A PERSONNEL DIVISION FUND FOR APPROPRIATION BY THE LEGISLATURE FOR THE STATE PERSONNEL BOARD AND THE PERSONNEL DIVISION OF THE DEPARTMENT. THE PRO RATA SHARE SHALL BE 1.10 PER CENT OF THE TOTAL PAYROLL OF THE STATE AGENCY. OF THE 1.10 PER CENT PRO RATA SHARE, 0.03 PER CENT OF TOTAL PAYROLL SHALL BE DEPOSITED IN A SEPARATE SUBACCOUNT OF THE PERSONNEL DIVISION FUND FOR USE BY THE STATE PERSONNEL BOARD AND SHALL BE SUBJECT TO LEGISLATIVE APPROPRIATION. TOTAL PAYROLL SHALL INCLUDE ALL FUND SOURCES, INCLUDING THE STATE GENERAL FUND, FEDERAL MONIES, SPECIAL REVENUE FUNDS, INTERGOVERNMENTAL REVENUE MONIES, TRUST FUNDS AND OTHER PAYROLL FUND SOURCES.

B. A CLAIM FOR THE PRO RATA SHARE PERCENTAGE PAYMENT SHALL BE SUBMITTED ACCORDING TO THE FUND SOURCE, WITH THE ACCOMPANYING PAYROLL TO THE DEPARTMENT FOR DEPOSIT IN THE PERSONNEL DIVISION FUND.

C. NOTWITHSTANDING SECTION 35-190, ONLY MONIES IN EXCESS OF FIVE HUNDRED THOUSAND DOLLARS REVERT TO THE STATE GENERAL FUND AT THE END OF EACH FISCAL YEAR. THE STATE COMPTROLLER SHALL PAY ANY MONIES DETERMINED TO BE OWED TO THE FEDERAL GOVERNMENT FROM THE PERSONNEL DIVISION FUND BEFORE CALCULATING THE REVERSION.

D. MONIES CONTRIBUTED BASED ON THE PERSONNEL SERVICES FOR INDIVIDUALS EMPLOYED BY THE ARIZONA STATE RETIREMENT SYSTEM AND MONIES CONTRIBUTED BASED ON THE PERSONNEL SERVICES FOR INDIVIDUALS EMPLOYED BY THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM AS THE PRO RATA SHARE SHALL NOT REVERT TO THE STATE GENERAL FUND AND SHALL BE SEPARATELY ACCOUNTED FOR AND REVERTED TO THE ARIZONA STATE RETIREMENT SYSTEM, THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM, THE ELECTED OFFICIALS RETIREMENT PLAN OR THE CORRECTIONS OFFICER RETIREMENT PLAN, AS APPLICABLE.

41-751. Annual report and recommendations

A. THE DIRECTOR SHALL PREPARE A REPORT ON STATE PERSONNEL AND THE OPERATION OF THE STATE PERSONNEL SYSTEM.

B. THE REPORT SHALL INCLUDE:

1. INFORMATION CONCERNING ALL STATE EMPLOYEES, INCLUDING EMPLOYEES OF ALL EXECUTIVE, LEGISLATIVE AND JUDICIAL BRANCH AGENCIES. ALL STATE AGENCIES SHALL PROVIDE ANY INFORMATION REQUESTED BY THE DIRECTOR TO PREPARE THE ANNUAL REPORT.

2. INFORMATION CONCERNING TURNOVER, INCLUDING THE NUMBER OF EMPLOYEES SEPARATING FROM STATE EMPLOYMENT AND THE REASONS FOR SEPARATION.

3. INFORMATION CONCERNING THE COMPENSATION DURING THE PRECEDING YEAR AND THE COMING YEAR OF STATE EMPLOYEES AND THE COMPENSATION OF OTHER PUBLIC EMPLOYEES AND PRIVATE EMPLOYEES.

4. AN ADVISORY RECOMMENDATION ON STATE EMPLOYEES' SALARIES. IN ESTABLISHING THE RECOMMENDATION, THE DIRECTOR SHALL CONSIDER THE RELATIVE LEVELS OF DUTIES AND RESPONSIBILITIES OF THE VARIOUS CLASSES OF POSITIONS, RATES PAID FOR COMPARABLE POSITIONS ELSEWHERE AND OTHER RELEVANT FACTORS. SALARY RECOMMENDATIONS ARE NOT REQUIRED FOR ELECTED OFFICIALS. THE DIRECTOR SHALL MAKE ADVISORY SALARY RECOMMENDATIONS FOR SPECIFIC POSITIONS IN THE GOVERNOR'S OFFICE, THE LEGISLATURE AND THE COURTS IF REQUESTED BY THE RESPECTIVE ADMINISTRATIVE HEADS OF THESE UNITS OF STATE GOVERNMENT.

5. THE OVERTIME PAY OF ALL STATE AGENCIES.

6. OTHER INFORMATION AS DETERMINED BY THE DIRECTOR.

C. THE ANNUAL REPORT AND RECOMMENDATIONS SHALL BE PRESENTED TO THE GOVERNOR AND THE LEGISLATURE ON OR BEFORE SEPTEMBER 1 OF EACH YEAR. THE DIRECTOR SHALL PROVIDE A COPY OF THE REPORT TO THE SECRETARY OF STATE.

D. THE ARIZONA BOARD OF REGENTS, THE DEPARTMENT OF PUBLIC SAFETY, THE JUDICIAL DEPARTMENT AND THE ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND SHALL EACH PREPARE AND SUBMIT AN ANNUAL REPORT ON THEIR PERSONNEL AS PRESCRIBED IN THIS SECTION. THE REPORT SHALL INCLUDE:

1. INFORMATION CONCERNING THE NUMBER OF EMPLOYEES AFFECTED BY AND REASONS FOR TURNOVER OF THEIR EMPLOYEES.

2. INFORMATION CONCERNING THE COMPENSATION DURING THE PRECEDING YEAR AND THE COMING YEAR OF THEIR EMPLOYEES AND THE COMPENSATION OF OTHER PUBLIC EMPLOYEES AND PRIVATE EMPLOYEES.

3. AN ADVISORY RECOMMENDATION ON THE SALARY PLAN AND ADJUSTMENTS FOR THEIR EMPLOYEES. IN ESTABLISHING THE SALARY PLAN, THEY SHALL CONSIDER THE RELATIVE LEVELS OF DUTIES AND RESPONSIBILITIES OF THE VARIOUS CLASSES OF POSITIONS, RATES PAID FOR COMPARABLE POSITIONS ELSEWHERE AND OTHER RELEVANT FACTORS.

4. THE OVERTIME PAY FOR THEIR EMPLOYEES.

41-752. Protections of civil or political liberties; prohibitions; civil penalty; violation; classification

A. EXCEPT FOR EXPRESSING AN OPINION OR PURSUANT TO SECTION 16-402, AN EMPLOYEE SHALL NOT ENGAGE IN ANY ACTIVITIES PERMITTED BY THIS SECTION WHILE ON DUTY, WHILE IN UNIFORM OR AT PUBLIC EXPENSE.

B. AN EMPLOYEE SHALL NOT:

1. USE ANY POLITICAL ENDORSEMENT IN CONNECTION WITH ANY APPOINTMENT TO A POSITION IN THE STATE PERSONNEL SYSTEM.

2. USE OR PROMISE TO USE ANY OFFICIAL AUTHORITY OR INFLUENCE FOR THE PURPOSE OF INFLUENCING THE VOTE OR POLITICAL ACTION OF ANY PERSON OR FOR ANY CONSIDERATION.

C. AN EMPLOYEE, A MEMBER OF THE STATE PERSONNEL BOARD OR A MEMBER OF THE LAW ENFORCEMENT MERIT SYSTEM COUNCIL SHALL NOT BE A MEMBER OF ANY NATIONAL, STATE OR LOCAL COMMITTEE OF A POLITICAL PARTY, AN OFFICER OR CHAIRPERSON OF A COMMITTEE OF A PARTISAN POLITICAL CLUB OR A CANDIDATE FOR NOMINATION OR ELECTION TO ANY PAID PUBLIC OFFICE, SHALL NOT HOLD ANY PAID, ELECTIVE PUBLIC OFFICE OR SHALL NOT TAKE ANY PART IN THE MANAGEMENT OR AFFAIRS OF ANY POLITICAL PARTY OR IN THE MANAGEMENT OF ANY PARTISAN OR NONPARTISAN CAMPAIGN OR RECALL EFFORT, EXCEPT THAT ANY EMPLOYEE MAY:

1. EXPRESS AN OPINION.

2. ATTEND MEETINGS FOR THE PURPOSE OF BECOMING INFORMED CONCERNING THE CANDIDATES FOR PUBLIC OFFICE AND THE POLITICAL ISSUES.

3. CAST A VOTE AND SIGN NOMINATION OR RECALL PETITIONS.

4. MAKE CONTRIBUTIONS TO CANDIDATES, POLITICAL PARTIES OR CAMPAIGN COMMITTEES CONTRIBUTING TO CANDIDATES OR ADVOCATING THE ELECTION OR DEFEAT OF CANDIDATES.

5. CIRCULATE CANDIDATE NOMINATION PETITIONS OR RECALL PETITIONS.

6. ENGAGE IN ACTIVITIES TO ADVOCATE THE ELECTION OR DEFEAT OF ANY CANDIDATE.

7. SOLICIT OR ENCOURAGE CONTRIBUTIONS TO BE MADE DIRECTLY TO CANDIDATES OR CAMPAIGN COMMITTEES CONTRIBUTING TO CANDIDATES OR ADVOCATING THE ELECTION OR DEFEAT OF CANDIDATES.

D. A PERSON SHALL NOT:

1. SOLICIT ANY EMPLOYEE, MEMBER OF THE STATE PERSONNEL BOARD OR MEMBER OF THE LAW ENFORCEMENT MERIT SYSTEM COUNCIL TO ENGAGE OR NOT ENGAGE IN ACTIVITIES PERMITTED BY THIS SECTION WITH THE DIRECT OR INDIRECT USE OF ANY THREAT, INTIMIDATION OR COERCION, INCLUDING THREATS OF DISCRIMINATION, REPRISAL, FORCE OR ANY OTHER ADVERSE CONSEQUENCE, INCLUDING THE LOSS OF ANY BENEFIT, REWARD, PROMOTION, ADVANCEMENT OR COMPENSATION.

2. SUBJECT ANY EMPLOYEE, MEMBER OF THE STATE PERSONNEL BOARD OR MEMBER OF THE LAW ENFORCEMENT MERIT SYSTEM COUNCIL ENGAGING IN ACTIVITY PERMITTED BY THIS SECTION TO ANY DIRECT OR INDIRECT DISCRIMINATION, REPRISAL, FORCE, COERCION OR INTIMIDATION OR ANY OTHER ADVERSE CONSEQUENCE, INCLUDING THE LOSS OF ANY BENEFIT, REWARD, PROMOTION, ADVANCEMENT OR COMPENSATION.

3. SUBJECT ANY EMPLOYEE, MEMBER OF THE STATE PERSONNEL BOARD OR MEMBER OF THE LAW ENFORCEMENT MERIT SYSTEM COUNCIL WHO CHOOSES NOT TO ENGAGE IN ANY ACTIVITY PERMITTED BY THIS SECTION TO ANY DIRECT OR INDIRECT DISCRIMINATION, REPRISAL, FORCE, COERCION OR INTIMIDATION OR ANY OTHER ADVERSE CONSEQUENCE, INCLUDING THE LOSS OF ANY BENEFIT, REWARD, PROMOTION, ADVANCEMENT OR COMPENSATION.

E. SUBSECTIONS B AND C OF THIS SECTION DO NOT APPLY TO THOSE EMPLOYEES LISTED IN SECTION 41-742, SUBSECTION F.

F. THIS SECTION DOES NOT APPLY TO SCHOOL BOARD ELECTIONS OR COMMUNITY COLLEGE DISTRICT GOVERNING BOARD ELECTIONS, AND AN EMPLOYEE MAY SERVE AS A MEMBER OF THE GOVERNING BOARD OF A COMMON OR HIGH SCHOOL DISTRICT OR AS A MEMBER OF A COMMUNITY COLLEGE DISTRICT GOVERNING BOARD.

G. AN EMPLOYEE WHO VIOLATES ANY OF THE PROVISIONS OF THIS SECTION IS SUBJECT TO SUSPENSION OF NOT LESS THAN THIRTY DAYS OR DISMISSAL.

H. A PERSON WHO VIOLATES:

1. SUBSECTION D OF THIS SECTION IS GUILTY OF A CLASS 6 FELONY.

2. ANY OTHER PROVISION OF THIS SECTION IS GUILTY OF A CLASS 1 MISDEMEANOR.

I. IN ADDITION TO ANY OTHER PENALTY, ANY PERSON SOLICITING OR ENCOURAGING A CONTRIBUTION IN A MANNER PROHIBITED BY THIS SECTION IS SUBJECT TO A CIVIL PENALTY OF UP TO THREE TIMES THE AMOUNT OF THE CONTRIBUTION SOLICITED OR ENCOURAGED PLUS COSTS, EXPENSES AND REASONABLE ATTORNEY FEES.

J. THIS SECTION DOES NOT DENY ANY EMPLOYEE OR BOARD MEMBER ANY CIVIL OR POLITICAL LIBERTIES AS GUARANTEED BY THE UNITED STATES AND ARIZONA CONSTITUTIONS.

K. IT IS THE PUBLIC POLICY OF THIS STATE, REFLECTED IN THIS SECTION, THAT GOVERNMENT PROGRAMS BE ADMINISTERED IN AN UNBIASED MANNER AND WITHOUT FAVORITISM FOR OR AGAINST ANY POLITICAL PARTY OR GROUP OR ANY MEMBER IN ORDER TO PROMOTE PUBLIC CONFIDENCE IN GOVERNMENT, GOVERNMENTAL INTEGRITY AND THE EFFICIENT DELIVERY OF GOVERNMENTAL SERVICES AND TO ENSURE THAT ALL EMPLOYEES ARE FREE FROM ANY EXPRESS OR IMPLIED REQUIREMENT OR ANY POLITICAL OR OTHER PRESSURE OF ANY KIND TO ENGAGE OR NOT ENGAGE IN ANY ACTIVITY PERMITTED BY THIS SECTION. TOWARD THIS END, ANY PERSON OR ENTITY CHARGED WITH THE

INTERPRETATION OF THIS SECTION SHALL TAKE INTO ACCOUNT THE POLICY OF THIS SECTION AND SHALL CONSTRUE ANY OF ITS PROVISIONS ACCORDINGLY.

41-753. Unlawful acts; violation; classification

A. A PERSON SHALL NOT MAKE ANY FALSE STATEMENT, CERTIFICATE, MARK, RATING OR REPORT WITH REGARD TO ANY TEST, CERTIFICATION OR APPOINTMENT MADE UNDER THIS ARTICLE OR IN ANY MANNER COMMIT ANY FRAUD PREVENTING THE IMPARTIAL EXECUTION OF THIS ARTICLE OR RULES ADOPTED UNDER THIS ARTICLE.

B. A PERSON SHALL NOT, DIRECTLY OR INDIRECTLY, GIVE, RENDER, PAY, OFFER, SOLICIT OR ACCEPT ANY MONEY, SERVICE OR OTHER VALUABLE CONSIDERATION FOR OR ON ACCOUNT OF ANY APPOINTMENT, PROPOSED APPOINTMENT, PROMOTION OR PROPOSED PROMOTION TO, OR ANY ADVANTAGE IN, A POSITION IN THE STATE PERSONNEL SYSTEM.

C. AN EMPLOYEE OF ANY STATE AGENCY, EXAMINER OR OTHER PERSON SHALL NOT OBSTRUCT ANY PERSON IN THE PERSON'S RIGHT TO EXAMINATION, ELIGIBILITY, CERTIFICATION OR APPOINTMENT UNDER THIS ARTICLE, OR FURNISH TO ANY PERSON ANY SPECIAL OR SECRET INFORMATION FOR THE PURPOSE OF AFFECTING THE RIGHTS OR PROSPECTS OF ANY PERSON WITH RESPECT TO EMPLOYMENT IN THE STATE PERSONNEL SYSTEM.

D. ANY PERSON WHO KNOWINGLY VIOLATES SUBSECTION A, B, OR C OF THIS SECTION IS GUILTY OF A CLASS 2 MISDEMEANOR.

E. AN ELECTED OR APPOINTED OFFICIAL SHALL NOT WITH CORRUPT INTENT USE THE OFFICIAL'S POLITICAL INFLUENCE OR POSITION TO CAUSE THE FIRING, PROMOTION OR DEMOTION OF ANY PUBLIC EMPLOYEE OR THE HIRING OF OR FAILURE TO HIRE ANY APPLICANT FOR PUBLIC EMPLOYMENT.

F. AN ELECTED OR APPOINTED OFFICIAL WHO KNOWINGLY AND WITH CORRUPT INTENT VIOLATES SUBSECTION E OF THIS SECTION IS GUILTY OF A CLASS 2 MISDEMEANOR.

G. ANY PERSON WHO IS CONVICTED OF A CLASS 2 MISDEMEANOR UNDER THIS ARTICLE, FOR A PERIOD OF FIVE YEARS, IS INELIGIBLE FOR APPOINTMENT TO OR EMPLOYMENT IN A POSITION IN THE STATE PERSONNEL SYSTEM AND, IF THE PERSON IS AN EMPLOYEE OF THIS STATE AT THE TIME OF CONVICTION, IS SUBJECT TO SUSPENSION FOR NOT LESS THAN NINETY DAYS OR DISMISSAL.

H. A CONTACT BY AN ELECTED OR APPOINTED OFFICIAL WITH A PUBLIC AGENCY REGARDING THE QUALIFICATIONS OF AN APPLICANT SHALL NOT BE CONSTRUED AS ILLEGALLY USING POLITICAL INFLUENCE OR POSITION.

41-754. Required reduction in hours

AN AGENCY DIRECTOR MAY REQUIRE AN AGENCY EMPLOYEE TO WORK REDUCED HOURS IN ORDER TO COMPLY WITH ANY REDUCTION IN APPROPRIATIONS. THE DIRECTOR SHALL PRESCRIBE PROCEDURES TO IMPLEMENT THESE REDUCTIONS.

Sec. 116. Repeal

Title 41, chapter 4, article 5, Arizona Revised Statutes, is repealed.

Sec. 117. Title 41, chapter 4, Arizona Revised Statutes, is amended by adding a new article 5, to read:

ARTICLE 5. COVERED SERVICE

41-771. Powers and duties of director relating to employees in covered service

THE DIRECTOR SHALL ADOPT RULES AND PROCEDURES THAT ARE APPLICABLE ONLY TO EMPLOYEES IN COVERED SERVICE. THE RULES AND PROCEDURES SHALL PROVIDE FOR:

1. THE CONTINUATION OF A PROBATIONARY PERIOD FOR PROBATIONARY EMPLOYEES.

2. A MINIMUM PERIOD OF ORIGINAL PROBATIONARY SERVICE FOLLOWING THE INITIAL APPOINTMENT OF A FULL AUTHORITY PEACE OFFICER AS CERTIFIED BY THE ARIZONA PEACE OFFICERS STANDARDS AND TRAINING BOARD OR THE INITIAL APPOINTMENT OF A CORRECTIONAL OFFICER I, CORRECTIONAL OFFICER II, CORRECTIONAL OFFICER III OR COMMUNITY CORRECTIONS OFFICER. DURING AN ORIGINAL PROBATIONARY PERIOD, THE PROBATIONARY EMPLOYEE SHALL PERFORM THE ACTUAL DUTIES OF THE POSITION AND MAY BE DISCHARGED WITHOUT CAUSE. THE DIRECTOR SHALL ESTABLISH A PERIOD OF PROMOTIONAL PROBATION SERVICE.

3. DISCIPLINARY ACTION TO BE TAKEN AGAINST AN EMPLOYEE ONLY IF CAUSE EXISTS.

4. REDUCTION IN FORCE BY REASON OF LACK OF MONIES OR WORK, ABOLITION OF A POSITION OR A MATERIAL CHANGE IN DUTIES OR ORGANIZATION AS PROVIDED IN SECTION 41-772.

41-772. Reduction in force procedure in covered service

A. THE DIRECTOR SHALL ESTABLISH REDUCTION IN FORCE PROCEDURES TO BE USED BY ALL STATE AGENCIES IF REDUCTIONS ARE REQUIRED IN COVERED SERVICE BY REASON OF LACK OF MONIES OR WORK, ABOLITION OF A POSITION, A MATERIAL CHANGE IN DUTY OR ORGANIZATION OR THE INTRODUCTION OF OTHER COST REDUCTION INITIATIVES.

B. THE PROCEDURES SHALL USE THE PERSON'S PERFORMANCE RECORD AS THE SOLE BASIS FOR DETERMINING RETENTION. CONSIDERATION OF THE PERSON'S PERFORMANCE IS LIMITED TO PERFORMANCE, AS MEASURED BY UP TO THE THREE MOST RECENT PERFORMANCE EVALUATIONS CONDUCTED USING A PERFORMANCE MEASUREMENT SYSTEM APPROVED BY THE DIRECTOR, DURING A PERIOD OF NOT MORE THAN THE TWO YEARS IMMEDIATELY PRECEDING THE REDUCTION IN FORCE. NOTWITHSTANDING ANY OTHER STATUTE, A STATE AGENCY SHALL NOT ADOPT POLICIES THAT PROVIDE EMPLOYMENT RETENTION PRIORITY FOR EMPLOYEES BASED ON TENURE OR SENIORITY.

C. THE PROCEDURES SHALL PROVIDE FOR A REDUCTION IN FORCE TO BE LIMITED TO A SINGLE AGENCY OR ORGANIZATIONAL UNIT OF AN AGENCY OR AN ORGANIZATIONAL UNIT OF AGENCY OPERATIONS WITHIN A GEOGRAPHIC AREA.

D. THE PROCEDURES SHALL PROVIDE FOR AN EXPEDITED REVIEW OF ANY DETERMINATIONS MADE DURING A REDUCTION IN FORCE.

41-773. Causes for dismissal or discipline for employee in covered service

A. EACH OF THE FOLLOWING CONSTITUTES CAUSE FOR DISCIPLINE OR DISMISSAL OF AN EMPLOYEE IN COVERED SERVICE:

1. FRAUD OR MISREPRESENTATION IN SECURING APPOINTMENT.

2. INCOMPETENCY.
3. INEFFICIENCY.
4. NEGLECT OF DUTY.
5. INSUBORDINATION.
6. DISHONESTY.
7. BEING IMPAIRED BY ALCOHOL OR DRUGS WHILE ON DUTY.
8. ILLEGAL USE OR ILLEGAL POSSESSION OF A NARCOTIC OR HABIT-FORMING DRUG.
9. UNAUTHORIZED ABSENCE OR ABSENCE WITHOUT LEAVE.
10. COMMISSION OF ANY CRIME CLASSIFIED AS A FELONY OR INVOLVING MORAL TURPITUDE.
11. DISCOURTEOUS TREATMENT OF THE PUBLIC OR OTHER EMPLOYEES.
12. IMPROPER POLITICAL ACTIVITY.
13. WILFUL DISOBEDIENCE.
14. MISUSE OR UNAUTHORIZED USE OF STATE PROPERTY.

B. IN ADDITION TO THE CAUSES PRESCRIBED BY SUBSECTION A OF THIS SECTION, THE DIRECTOR MAY ESTABLISH OTHER CAUSES DEEMED NECESSARY.

C. THE DIRECTOR SHALL PRESCRIBE DEFINITIONS FOR EACH OF THE CAUSES FOR DISMISSAL OR DISCIPLINE PRESCRIBED OR ESTABLISHED UNDER THIS SECTION THAT SHALL BE USED BY COVERED EMPLOYEES AND, AS APPLICABLE, THE STATE PERSONNEL BOARD OR THE LAW ENFORCEMENT MERIT SYSTEM COUNCIL IN EVALUATING DISMISSALS AND DISCIPLINARY ACTIONS.

Sec. 118. Heading change

The article heading of title 41, chapter 4, article 6, Arizona Revised Statutes, is changed from "PERSONNEL BOARD" to "STATE PERSONNEL BOARD".

Sec. 119. Section 41-781, Arizona Revised Statutes, is amended to read:

41-781. State personnel board; members; appointment; term; meetings; compensation

A. The state personnel board ~~shall consist~~ CONSISTS of five members appointed by the governor pursuant to section 38-211. No more than three members shall belong to the same political party. Persons eligible for appointment shall have had a continuous recorded registration pursuant to title 16, chapter 1 with either the same political party or as an independent for at least two years immediately preceding appointment. Of the members appointed one shall be a person who for more than five years has managed a component or unit of government or industry with more than twenty employees, one shall be a professional personnel administrator, one a state employee, one a person active in business management and one a member of the public. Members may be removed by the governor for cause. The chairperson of the STATE personnel board shall serve as an ex officio member of the law enforcement merit system council established by section 41-1830.11 without voting privileges.

B. The term of office for each member is three years, each term to expire three years from the date of appointment. ~~Upon~~ ON the expiration of

the term of a member a successor shall be appointed for a full term of three years.

C. The STATE personnel board may hold regular monthly meetings and, in addition, may hold special meetings the board deems necessary. A chairperson and vice chairperson shall be elected by the members at the first meeting of each year and the chairperson shall not serve successive terms as chairperson. Meetings of the STATE personnel board shall be open to the public, and executive sessions may be held as provided by law.

D. Any one of the following ~~shall constitute~~ CONSTITUTES the resignation of a board member and ~~authorize~~ AUTHORIZES the governor to appoint a new member to fill the unexpired term so vacated:

1. Becoming a candidate for any elective public office.

2. Accepting any appointive office or employment in the state ~~service~~ PERSONNEL SYSTEM, except the state employee who is designated to serve on the board.

E. Members of the STATE personnel board, except the person designated as the state employee, are eligible to receive compensation ~~as determined pursuant to section 38-611 for each day actually spent for meetings of the personnel board~~ OF ONE HUNDRED DOLLARS FOR EACH MEETING ATTENDED, PRORATED FOR PARTIAL DAYS FOR EACH MEETING ATTENDED. The member of the STATE personnel board designated as the state employee shall be paid the state employee's regular compensation for meetings of the board.

Sec. 120. Section 41-782, Arizona Revised Statutes, is amended to read:

41-782. Powers and duties of the state personnel board

A. EXCEPT AS PROVIDED BY SECTION 41-1830.16, the STATE personnel board shall hear and review appeals as provided in this article relating to dismissal OF A COVERED EMPLOYEE from ~~state~~ COVERED service, suspension for more than ~~forty~~ EIGHTY working hours or INVOLUNTARY demotion resulting from disciplinary action as defined in the personnel rules FOR AN EMPLOYEE IN COVERED SERVICE.

B. THE STATE personnel board shall hear and review complaints as provided in title 38, chapter 3, article 9, relating to any personnel action taken against an employee or former employee of this state, except an employee or former employee of a state university or the board of regents, which the employee or former employee believes was taken in reprisal for the employee's or former employee's disclosure of information to a public body. The state personnel board shall recommend the dismissal of a supervisor or other responsible person, other than an elected official, who it determines committed a prohibited personnel practice.

C. The STATE personnel board may adopt rules it deems necessary for the administration of hearings and the review of appeals and complaints as prescribed in this section.

D. THE STATE PERSONNEL BOARD SHALL ONLY EXERCISE AUTHORITY THAT IS SPECIFICALLY GRANTED TO THE BOARD PURSUANT TO THIS ARTICLE.

Sec. 121. Repeal

Sections 41-783 and 41-784, Arizona Revised Statutes, are repealed.

Sec. 122. Section 41-785, Arizona Revised Statutes, is transferred and renumbered for placement in title 41, chapter 4, article 6, Arizona Revised Statutes, as section 41-783 and, as so renumbered, is amended to read:

41-783. Appeals to the state personnel board for covered employees; notice of charges; hearings

A. ~~Any~~ EXCEPT AS PROVIDED BY SECTION 41-1830.16, A COVERED employee who has completed the COVERED employee's original probationary period of service as provided by the personnel rules may appeal to the STATE personnel board ~~seeking relief from~~ THE COVERED EMPLOYEE'S dismissal from ~~state~~ COVERED service, suspension for more than ~~forty~~ EIGHTY working hours or INVOLUNTARY demotion resulting from disciplinary action. The appeal shall be filed not later than ten working days after the effective date of such action. The COVERED employee shall be furnished with specified charges in writing when the action is taken. Such appeal shall be in writing and must state specific facts relating directly to the charges on which the appeal is based and shall be heard by the STATE personnel board within thirty days after its receipt. The STATE personnel board shall provide the employing agency with a copy of the appeal not less than twenty days in advance of the hearing.

B. Hearings on such appeals shall be open to the public, except in cases where the COVERED employee requests a confidential hearing, and shall be informal with technical rules of evidence not applying to the proceedings except the rule of privilege recognized by law. Both the COVERED employee and the employing agency shall be notified of any hearing or meeting date not less than twenty days in advance of the hearing or not less than ten days in advance of a meeting and may select representatives of their choosing, present and cross-examine witnesses and give evidence before the STATE personnel board. The STATE personnel board may appoint a hearing officer to conduct the hearing and take evidence on behalf of the board and exercise the rights prescribed by section 12-2212. The STATE personnel board shall prepare an official record of the hearing, including all testimony recorded manually or by mechanical device, and exhibits. Either party may request that the record be transcribed. If a party requests that the record be transcribed, an entity, other than the STATE personnel board, selected by the requesting party shall transcribe the record at the cost of the requesting party. If the disciplinary hearing would involve evidence the state is prevented by law from disclosing, then a confidential hearing upon the state's request shall be granted.

C. The STATE PERSONNEL board: ~~may reverse an agency's action on appeal only if the board finds the action to be arbitrary, capricious or otherwise contrary to law.~~

~~D. The board may modify the disciplinary penalty chosen by an agency only if the board finds the penalty to be disproportionate to the proven offense in light of mitigating circumstances or made for reasons that are arbitrary, capricious or otherwise contrary to law.~~

1. SHALL DETERMINE WHETHER THE STATE AGENCY HAS PROVEN BY A PREPONDERANCE OF THE EVIDENCE THE MATERIAL FACTS ON WHICH THE DISCIPLINE WAS BASED. ON SUCH A FINDING, THE BOARD SHALL AFFIRM THE DECISION OF THE STATE AGENCY HEAD, UNLESS THE DISCIPLINARY DECISION WAS ARBITRARY AND CAPRICIOUS.

2. MAY RECOMMEND MODIFICATION OF A DISCIPLINARY ACTION IF THE AGENCY HAS NOT PROVEN BY A PREPONDERANCE OF THE EVIDENCE THE MATERIAL FACTS ON WHICH THE DISCIPLINE WAS BASED OR IF A DISCIPLINARY DECISION IS FOUND TO BE ARBITRARY AND CAPRICIOUS.

3. SHALL REVERSE THE DECISION OF THE STATE AGENCY HEAD IF THE BOARD FINDS THAT CAUSE DID NOT EXIST FOR ANY DISCIPLINE TO BE IMPOSED AND, IN THE CASE OF DISMISSAL OR DEMOTION, RETURN THE COVERED EMPLOYEE TO THE SAME POSITION THE EMPLOYEE HELD BEFORE THE DISMISSAL OR DEMOTION WITH OR WITHOUT BACK PAY.

D. ON A FINDING THAT THE AGENCY HAS NOT PROVEN BY A PREPONDERANCE OF THE EVIDENCE THE MATERIAL FACTS ON WHICH THE DISCIPLINE WAS BASED, THE BOARD SHALL IDENTIFY THE MATERIAL FACTS THAT THE BOARD FOUND WERE NOT SUPPORTED BY A PREPONDERANCE OF THE EVIDENCE AND MAY RECOMMEND A PROPOSED DISCIPLINARY ACTION IN LIGHT OF THE FACTS PROVEN. ON A FINDING THAT THE DISCIPLINARY DECISION WAS ARBITRARY AND CAPRICIOUS, THE BOARD SHALL INCLUDE THE BOARD'S REASONS FOR THE BOARD'S FINDING AND MAY RECOMMEND A PROPOSED DISCIPLINARY ACTION IN LIGHT OF THE FACTS PROVEN.

E. Within forty-five days after the conclusion of the hearing, the STATE PERSONNEL board shall enter its decision OR RECOMMENDATION and shall at the same time send a copy of the decision OR RECOMMENDATION by certified mail to the employing agency and to the COVERED employee at the employee's address as given at the hearing or to a representative designated by the COVERED employee to receive a copy of the decision OR RECOMMENDATION. THE AGENCY DIRECTOR OR THE DIRECTOR'S DESIGNEE SHALL ACCEPT, MODIFY OR REVERSE THE BOARD'S DECISION OR ACCEPT, MODIFY OR REJECT THE BOARD'S RECOMMENDATION WITHIN FOURTEEN DAYS OF RECEIPT OF THE FINDINGS OR RECOMMENDATION FROM THE STATE PERSONNEL BOARD. THE DECISION OF THE AGENCY DIRECTOR OR DIRECTOR'S DESIGNEE IS FINAL AND BINDING. THE AGENCY DIRECTOR SHALL SEND A COPY OF THE AGENCY'S FINAL DETERMINATION TO THE COVERED EMPLOYEE PURSUANT TO THIS SECTION.

F. Any party may appeal the decision of the STATE PERSONNEL board OR THE FINAL DECISION OF THE AGENCY pursuant to title 12, chapter 7, article 6 to the superior court in the COVERED employee's county of residence on one or more of the following grounds that the order was:

1. Founded on or contained error of law ~~which~~ THAT shall specifically include error of construction or application of any pertinent rules.

2. Unsupported by any evidence as disclosed by the entire record.

3. Materially affected by unlawful procedure.

4. Based on a violation of any constitutional provision.

5. Arbitrary or capricious.

G. An appeal shall be available to the court of appeals from the order of the superior court pursuant to title 12, chapter 7, article 6 as in other civil cases.

H. ~~An~~ A COVERED employee may represent himself or designate a representative, not necessarily an attorney, before any board hearing or any quasi-judicial hearing held pursuant to this section providing that no fee may be charged for any services rendered in connection with such hearing by any such designated representative who is not an attorney admitted to practice.

Sec. 123. Repeal

Section 41-786, Arizona Revised Statutes, is repealed.

Sec. 124. Section 41-821, Arizona Revised Statutes, is amended to read:

41-821. Arizona historical society; powers; officers; duties of board of directors

A. An Arizona historical society is established.

B. Subject to limitations imposed by law, the society may purchase, receive, hold, lease and sell property, real and personal, for the benefit of this state and use of the society. The society may solicit private monetary donations for program activities.

C. The society shall have a president, a treasurer, a board of directors and other officers who shall be elected by the members of the society at times and by methods the bylaws of the society prescribe. The board of directors may designate from among its members an executive committee with authority to act in place of the board of directors and in accordance with directions the board of directors may give when the board of directors is not in session.

D. The president shall preside at meetings of the society and of the board of directors.

E. The treasurer shall have custody of the monies of the society, other than legislative appropriations. The treasurer shall hold the monies of the society deposited in trust for the society's use and for the benefit of this state and shall disburse them only as prescribed by law and the bylaws of the society.

F. The board of directors shall hold in trust for this state and administer for the benefit of this state and use of the society all property acquired by the society.

G. All expenditures of legislative appropriations to the society shall be made on claims duly itemized, verified and approved by the executive director. The executive director shall present and file claims for payment with the director of the department of administration. The director of the department of administration shall draw the warrant on the state treasurer. The society may expend nonappropriated private funds related to program activities.

H. The board of directors shall annually designate one or more historical organizations within each county of this state that are

the board of trustees shall receive no compensation but shall be reimbursed for subsistence and travel expenses incurred in the performance of their duties as provided for other state officers.

E. The board of trustees shall adopt rules and regulations for the administration of the work of the society and for carrying out the provisions of this article. The rules and regulations may divide membership of the society in four classes named life, one year, associate and honorary and may define each class. The fees for each class shall be fixed by the board of trustees, provided that the fee for any class may not exceed twenty-five dollars per annum.

F. The board of trustees may employ, SUBJECT TO CHAPTER 4, ARTICLE 4 OF THIS TITLE, a director, assistant director, custodians, archivists, librarians, researchers, maintenance personnel, gardeners or other necessary personnel, define their duties and fix their compensation PURSUANT TO SECTION 38-611 AND within the limits of legislative appropriation ~~therefor~~. The board may also employ the services of professional consultants on a fee basis within the limits of legislative appropriation ~~therefor~~.

Sec. 126. Section 41-902, Arizona Revised Statutes, is amended to read:

41-902. Fiscal controls on institutions

A. ~~Salary schedules~~ COMPENSATION FOR OFFICERS AND EMPLOYEES of state institutions under the control of the governor shall be fixed by the governor PURSUANT TO SECTION 38-611 unless otherwise provided by law. ~~Salary schedules~~ EMPLOYEE COMPENSATION shall be included in the estimate of expenses submitted by the chief executive officer of the institution.

B. Each chief executive officer shall furnish a semi-monthly payroll for the institution under his charge, showing the name, monthly salary and length of service of each officer and employee. The payroll shall be audited by the governor and a statement of the amount found due each employee shall be filed with the director of the department of administration who shall issue a separate warrant to each employee.

C. A bond in an amount to be fixed by the governor shall be required from each official and employee having custody of funds or property belonging to the state.

D. The remittance of money and other things of value received by the institution shall be governed by ~~the provisions of~~ TITLE 35, chapter 1~~, title 35~~ so far as applicable, and the proper executive officer of each institution shall in addition make a detailed statement showing the sources of such receipts to the governor.

Sec. 127. Section 41-903, Arizona Revised Statutes, is amended to read:

41-903. Officers and employees; employment

SUBJECT TO CHAPTER 4, ARTICLE 4 OF THIS TITLE, the chief executive officer of each institution under the control of the governor shall appoint assistants, clerks, guards and employees required to operate the institution, the number to be determined by the governor, except as otherwise provided by

law. ~~The chief executive officer of the institution may discharge an employee for cause. An officer or employee may be removed by the governor for misconduct, incompetency or neglect of duty.~~

Sec. 128. Section 41-941, Arizona Revised Statutes, is amended to read:

41-941. Location; superintendent; claims

A. There shall be a state hospital for disabled miners as a separate facility for the benefit of disabled miners at the Arizona pioneers' home at Prescott which shall be managed by the governor.

B. The superintendent of the Arizona pioneers' home shall serve as superintendent of the miner's hospital and, SUBJECT TO CHAPTER 4, ARTICLE 4 OF THIS TITLE, may appoint assistants and employees and prescribe their duties, subject to approval of the governor.

C. Claims for salaries and expenses authorized by this article shall be presented and paid as other state claims.

Sec. 129. Section 41-982, Arizona Revised Statutes, is amended to read:

41-982. Powers and duties

A. The commission may:

1. With the consent of a majority of the commission, employ, SUBJECT TO CHAPTER 4, ARTICLE 4 OF THIS TITLE, such personnel as may be required within the limits of funds available in the arts fund. The compensation for such personnel shall be as determined pursuant to section 38-611.

2. Hold hearings.

3. Enter into contracts, within the limits of funds available, with local and regional associations, individuals, organizations and institutions for any services which further the broad objectives of the commission's program.

4. Accept gifts, contributions and bequests of unrestricted funds for deposit in the arts fund or the arts trust fund from individuals, foundations, corporations, and other organizations or institutions for the purpose of furthering the broad objectives of the commission's program.

5. Make agreements to carry out the purposes of this article.

6. Request cooperation from any state agency for the purposes of this article.

B. The commission shall:

1. Stimulate and encourage throughout the state the study and presentation of the performing arts, fine arts, and public interest and participation therein.

2. Make such surveys of public and private institutions engaged within the state in artistic and cultural activities, as may be deemed advisable, and make recommendations concerning appropriate methods to encourage participation in and appreciation of the arts to meet the legitimate needs and aspirations of persons in all parts of the state.

~~article 5 of this title but~~ shall meet the minimum qualifications established pursuant to this section.

Sec. 154. Section 41-3505, Arizona Revised Statutes, is amended to read:

41-3505. Information technology fund

A. The information technology fund is established for use by the department and the committee. Monies in the fund are subject to legislative appropriation.

B. State ~~service~~ agencies subject to section ~~41-764~~ 41-750, all budget units and the legislative and judicial branches of state government~~,~~ shall contribute a pro rata share of the overall cost of information technology services provided by the department or committee. The pro rata share is payable by payroll fund source, and the resultant amount shall be deposited in the information technology fund. For all budget units and the legislative and judicial branches of state government, the pro rata share shall be .20 per cent of the total payroll. Total payroll includes all fund sources including the state general fund, federal monies, special revenue funds, intergovernmental revenue monies, trust funds and other payroll fund sources.

C. A claim for the pro rata share percentage payment shall be submitted according to the fund source, with the accompanying payroll, to the department of administration for deposit in the information technology fund.

D. Notwithstanding section 35-190, monies in the information technology fund do not revert to the state general fund at the end of each fiscal year.

Sec. 155. Section 41-3952, Arizona Revised Statutes, is amended to read:

41-3952. Arizona department of housing; director

A. The Arizona department of housing is established.

B. The governor shall appoint the director pursuant to section 38-211. The ~~term of the~~ director ~~is five years and expires on the third Monday in January of the appropriate year, except that~~ SERVES AT THE PLEASURE OF the governor. ~~may remove the director for cause. On expiration of the director's term, the governor may reappoint the director for another term.~~

C. The director shall administer the department.

D. The director and such other employees as the director determines are entitled to receive compensation as determined under section 38-611.

E. SUBJECT TO CHAPTER 4, ARTICLE 4 OF THIS TITLE, the director shall appoint a deputy director and, subject to legislative appropriation, may appoint assistant directors as the director deems appropriate.

F. SUBJECT TO CHAPTER 4, ARTICLE 4 OF THIS TITLE, the director shall employ, determine the conditions of employment and specify the duties of administrative, secretarial and clerical employees the director deems necessary.

G. The director may organize the department into divisions the director deems appropriate.

Sec. 167. Initial terms of additional members of the law enforcement merit system council

A. Notwithstanding section 41-1830.11, Arizona Revised Statutes, as amended by this act, the initial terms of additional members of the law enforcement merit system council are:

1. One term ending July 1, 2016.

2. One term ending July 1, 2014.

B. Notwithstanding section 41-1830.11, Arizona Revised Statutes, as amended by this act, members of the law enforcement merit system council who are serving on the effective date of this act may continue to serve the remainder of their terms.

C. The governor shall make all subsequent appointments as prescribed by statute.

Sec. 168. Retention of agency heads appointed for term of office

Notwithstanding sections 4-111, 5-101.01, 6-111, 17-211, 20-141, 26-101, 38-715, 41-1711, 41-3952 and 41-4301, Arizona Revised Statutes, as amended by this act, all persons serving as agency heads for a specified term of office on January 1, 2014 may continue to serve until the expiration of their normal terms. The governor, board or commission shall make all subsequent appointments as prescribed by statute.

Sec. 169. Purpose

In order to promote public confidence in government, governmental integrity, increased accountability and the efficient delivery of services to its citizens, this act intends to reform this state's outdated personnel system. The current system consists of rules and regulations adopted many years ago that served a valuable purpose at the time, but now actually makes it difficult to manage the workforce effectively. The current emphasis on job security rewards longevity over performance that often results in the retention of lower performers and the separation of our best talent. The new personnel system pursuant to this act is intended to support this state's ability to attract, hire and retain high-performing employees.

Sec. 170. Exemption from rule making; department of administration; state personnel board; law enforcement merit system council; retroactivity

A. For the purpose of implementing the provisions of this act, until April 30, 2013, the department of administration is exempt from the rule making requirements of title 41, chapter 6, Arizona Revised Statutes, except that the department shall provide, as appropriate under the circumstances, for notice of and opportunity for comment on the rules proposed for adoption. In order to implement or change any rule during the exemption period, the department of administration shall provide at least two opportunities for public comment.

B. For the purpose of amending rules pertaining to the administration of hearings and the review of appeals pursuant to section 41-782, Arizona Revised Statutes, as amended by this act, until October 31, 2012 the state

personnel board is exempt from the rule making requirements of title 41, chapter 6, Arizona Revised Statutes. The board shall provide public notice and an opportunity for public comment on proposed rules at least thirty days before rules are adopted or amended pursuant to this section.

C. For the purpose of adopting rules pertaining to the administration of hearings and the review of appeals pursuant to section 41-1830.12, Arizona Revised Statutes, as amended by this act, and section 41-1830.16, Arizona Revised Statutes, as added by this act, until October 31, 2012 the law enforcement merit system council is exempt from the rule making requirements of title 41, chapter 6, Arizona Revised Statutes. The council shall provide public notice and an opportunity for public comment on proposed rules at least thirty days before rules are adopted pursuant to this section.

D. This section is effective retroactively to from and after April 30, 2012.

Sec. 171. Severability

If a provision of this act or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

Sec. 172. Effective date

This act becomes effective from and after September 28, 2012.

APPROVED BY THE GOVERNOR MAY 10, 2012.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 10, 2012.

ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MEMORANDUM

TO: Mr. Tom Manos, Chair, ASRS Ad Hoc Compensation Committee

FROM: Mr. Paul Matson, Director

DATE: October 7, 2014

RE: **Agenda Item #4**: Presentation and Discussion and Appropriate Action Regarding Future Agenda Topics and Meeting Dates

Purpose

To determine future meeting dates and discussion topics.

Meeting #2: Mid October - 2 Hours

1. Discuss and Understand Past and Current Roles of: ASRS Board, ASRS Director, ASRS Board Governance Policy Handbook, ADOA, other parties in the post-Personnel Reform environment – with a focus on Personnel and Budgeting,
2. Discuss and Determine the Current and Optimal Governance Model,
3. Preliminary Discussion of Compensation Strategies and request further information,
4. Other.

Meeting #3: Late October - 2 Hours

1. Further Discuss Compensation Strategies and request further information,
2. Other.

Meeting #4: Early November - 2 hours

1. Final Discussion and Determination of Compensation Strategies,
2. Recommendations developed for ASRS Board,
3. Other.

Attachment: Calendars

October

Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20 IC Meeting	21	22	23	24 Board Meeting	25
26	27	28	29	30	31	

2014

November

Sun	Mon	Tue	Wed	Thu	Fri	Sat
						1
2	3	4	5	6	7	8
9	10	11 Veteran's Day	12	13	14 EAC Meeting	15
16	17	18	19	20	21	22
23	24	25	26	27 Thanksgiving Day	28	29
30						

2014

December

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 IC Meeting	2	3	4	5 Board Meeting	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

2014