



ARIZONA HOUSE OF REPRESENTATIVES

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Senate: GOV DP 5-3-0-0 | 3rd Read 16-12-2-0
House: GOV DP 5-3-0-1

SB 1139: government investments; products; fiduciaries; plans

**Sponsor: Senator Hoffman, LD 15
Caucus & COW**

Overview

Outlines requirements for the State Treasurer and prescribes a fiduciary and other government entities' responsibilities and duties concerning a plan.

History

The [Office of the State Treasurer](#) is responsible for the banking and investment management duties for the State of Arizona, provides investment services to local governments and exclusively manages the Permanent Land Endowment.

Currently, statute outlines the State Treasurer is responsible for the safekeeping of all securities acquired by him and those for which he is the lawful custodian. The State Treasurer can also agree with investment managers to invest treasury monies or with advisors to recommend investment strategies or tactics for the investment of treasury monies, including legal advisors and software to assist with the analysis, tracking and trading of securities. Investment managers are required to regularly account for, itemize and inventory all securities and report the findings to the State Treasurer at least monthly or on demand (A.R.S. §§ [35-317](#) and [33-318](#)).

Provisions

State Treasurer

1. Requires the State Treasurer to post a current list of state investments by name and investment managers on the State Treasurer's website and update any changes within a reasonable period of time. (Sec. 1)
2. Mandates that all state investments are to be made in the sole interest of the taxpayers. (Sec. 1)
3. Stipulates that the State Treasurer's evaluation of an investment must be based on pecuniary factors and must not take unnecessary investment risks or promote nonpecuniary benefits or other nonpecuniary social goals. (Sec. 1)

Fiduciary

4. Requires a fiduciary to carry out its duties concerning a plan solely in the interest of the participants and beneficiaries of the plan for the exclusive purpose of providing pecuniary benefits to the participants and their beneficiaries, while defraying reasonable expenses of administering the plan and earning a return on the investment. (Sec. 2)
5. Directs a fiduciary to only consider pecuniary factors when evaluating an investment or carrying out its duties concerning a plan. (Sec. 2)
6. Prohibits a fiduciary from considering nonpecuniary or other factors when evaluating an investment. (Sec. 2)

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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Government Entities

7. Clarifies that only the governmental entity that establishes or maintains a plan can vote for the shares held by the plan. (Sec. 2)
8. Prohibits a governmental entity from granting proxy voting authority to any person who is not a part of the governmental entity unless that person follows established guidelines. (Sec. 2)
9. Asserts that the shares held directly or indirectly by a plan must be voted only in the pecuniary interest of the plan. (Sec. 2)
10. States shares may not be voted to further nonpecuniary, environmental, social, political, ideological or other benefits or goals. (Sec. 2)
11. Restricts a plan from entrusting any plan assets to a fiduciary who has a practice of:
 - a) Engaging with, or commits to engage with, a company based on nonpecuniary factors; and
 - b) Voting shares based on nonpecuniary factors. (Sec. 2)
12. Prohibits a fiduciary from following the recommendations of a proxy advisory firm or another service provider unless their voting guidelines are consistent with the fiduciary's obligation to only consider pecuniary factors. (Sec.2)
13. Defines the following terms:
 - a) *Fiduciary*;
 - b) *Nonpecuniary factor*;
 - c) *Pecuniary factor*, and
 - d) *Plan*. (Sec. 2)