

HOUSE CS FOR CS FOR SENATE BILL NO. 89(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/1/96

Referred: Rules

Sponsor(s): SENATORS RIEGER, Frank, Green, Halford, Kelly, Leman, Miller, Pearce, Phillips, Sharp, Taylor, Torgerson

REPRESENTATIVE James, Ogan

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the members of the board and staff of the Alaska
2 Permanent Fund Corporation."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 37.13.050(a) is amended to read:

5 (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists
6 of seven [SIX] members appointed by the governor. Two of the members must be
7 heads of principal departments of state government, one of whom shall be the
8 commissioner of revenue. Five [FOUR] members shall be appointed by the governor
9 from the public and may not hold any other state or federal office, position, or
10 employment, either elective or appointive, except as a member of the armed forces of
11 either the United States or of this state.

12 * **Sec. 2.** AS 37.13.050(b) is amended to read:

13 (b) The [FOUR] public members of the board must have recognized
14 competence and wide experience in finance, investments, or other business

management-related fields and at least one of the public members must have recognized competence and experience in investment portfolio management.

* **Sec. 3.** AS 37.13.060 is amended to read:

Sec. 37.13.060. TERM OF OFFICE. The public members of the board shall be appointed for terms of four years, and they may be reappointed. The terms of the public members shall be staggered so that the terms of no more than two [ONE TERM OF A] public members expire [MEMBER EXPIRES] each year.

* **Sec. 4.** AS 37.13.070(a) is amended to read:

(a) The governor may remove a public member of the board from office only for cause. A removal by the governor must be in writing and must state the reason for the removal. A member who is removed by the governor may not participate in board business and may not be counted for purposes of establishing a quorum after the member receives written notice of removal from the governor. In this subsection, "cause" means

(1) incompetency, which is the inability or the unintentional or intentional failure to perform the duties of the trustee; or

(2) misfeasance or malfeasance in office, which includes the failure of the trustee to exercise prudent judgment in the affairs of the corporation or intentionally taking action for reasons other than the financial best interest of the corporation.

* **Sec. 5.** AS 37.13 is amended by adding a new section to read:

Sec. 37.13.075. LIMITATIONS ON GOVERNOR. (a) The governor shall base the decision to appoint a board member solely on the financial best interest of the fund.

(b) The governor may not influence or attempt to influence the board to make an investment decision that violates prudent investment principles.

(c) Violation of this section constitutes a violation of AS 39.52.

* **Sec. 6.** AS 37.13.100 is amended to read:

Sec. 37.13.100. CORPORATION STAFF. The board may employ and determine the salary of an executive director. The executive director may, with the approval of the board, select and employ additional staff as necessary. The executive

director and other employees with investment responsibilities serve at the pleasure of the board, except that the board may enter into employment contracts that do not exceed two years' duration.

An employee of the corporation, including the executive director, may not be a member of the board. The executive director and the other employees of the board are in the exempt service under AS 39.25.

* **Sec. 7.** AS 37.13.120(a) is amended to read:

(a) The prudent-investor rule shall be applied by the board in the management and investment of fund assets. The prudent-investor rule as applied to investments of the fund means that, in making investments, the board shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. **Each board member has a fiduciary duty to the fund, and each member shall perform official actions solely in accordance with that duty.**