



# LAWS OF ALASKA

1988

**Source**

SCS CSHB 547 (Fin)

**Chapter No.**

141

**AN ACT**

Relating to the investment and management of certain state funds; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10.

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 8, 1988  
Actual Effective Date: June 9, 1988

AN ACT

Relating to the investment and management of certain state funds; and providing for an effective date.

\* Section 1. AS 14.25.035(c) is repealed and reenacted to read:

(c) The board shall confer with the commissioner of administration regarding the administration of the system and may make recommendations that it considers necessary.

\* Sec. 2. AS 14.25.035(d) is repealed and reenacted to read:

(d) The commissioner of administration shall report to the board concerning the condition and administration of the system. The reports shall be distributed to the members of the system. The commissioner of revenue shall provide reports to the board on the condition and investment performance of the teachers' retirement trust fund.

\* Sec. 3. AS 14.25.170 is amended to read:

Sec. 14.25.170. ADMINISTRATION. The commissioner of administration is responsible for the administration of the retirement system and for making the provisions of this chapter effective. The [AND THE] powers and duties of the commissioner for this purpose include [BUT ARE NOT LIMITED TO]

- (1) maintaining the accounts of the system;
- (2) making payments for the various purposes specified;
- (3) submitting required [SUCH] periodic reports or statements of account [AS MAY BE REQUIRED];

Chapter 141

1 (4) establishing [PRESCRIBING] by regulation the rate of  
2 interest that shall be credited to the individual contribution ac-  
3 counts of teachers each year; the rate of interest shall be adopted on  
4 the basis of the probable effective rate of interest on a long-term  
5 basis, and the rate may be changed from time to time by subsequent  
6 regulation;

7 (5) establishing a teachers' retirement trust fund in which  
8 the assets of the system shall be deposited and held; and

9 (6) engaging an independent certified public accountant to  
10 conduct an annual audit of the system's accounts and the annual report  
11 of the system's financial condition and financial activity.

12 \* Sec. 4. AS 14.25.180 is repealed and reenacted to read:

13 Sec. 14.25.180. INVESTMENT AND TREASURY. (a) The commissioner  
14 of revenue is the treasurer of the system and the fiduciary of the  
15 fund. In managing the fund, the commissioner of revenue shall

16 (1) consider the status of the fund's investments and the  
17 system's liabilities on both a current and a probable future basis;

18 (2) determine the appropriate investment objectives for the  
19 fund;

20 (3) establish investment policies aimed at achieving the  
21 objectives; and

22 (4) act only in regard to the best financial interests of  
23 the system's beneficiaries.<sup>4</sup>

24 (b) The commissioner of revenue may invest the fund on the basis  
25 of probable total rate of return without regard to the distinction  
26 between principal and income or to the generation of income.

27 (c) In carrying out investment duties under this chapter, the  
28 commissioner of revenue has the same powers and duties in regard to  
29 the teachers' retirement trust fund as are provided in AS 37.10.071,

1 except that the standard of prudence that the commissioner must obey  
2 under AS 37.10.071(c) shall be in regard to the management of large  
3 trust investments rather than large investments.

4 \* Sec. 5. AS 14.40.255 is amended to read:

5 Sec. 14.40.255. INVESTMENT OF SURPLUS MONEY. If the Board of  
6 Regents determines that there is a surplus of money, received in the  
7 form of state and federal appropriations, above the amount sufficient  
8 to meet current and projected cash expenditure needs of the univers-  
9 ity, the surplus must be invested as [IN THE SAME INSTRUMENTS] set out  
10 in AS 37.10.071. Income [AS 37.10.070 APPROVED FOR INVESTMENT OF  
11 STATE TREASURY SURPLUS. INTEREST INCOME] earned on investments made  
12 under this section may be retained by the university and expended in  
13 accordance with the Executive Budget Act (AS 37.07).

14 \* Sec. 6. AS 14.40.400(a) is amended to read:

15 (a) The Department of Revenue shall establish a separate endow-  
16 ment trust fund in which all net income [MONEY] derived from the sale  
17 or lease of the land granted under the Act of Congress approved  
18 January 21, 1929, and in which all monetary gifts, bequests or endow-  
19 ments made to the University of Alaska for the purpose of the fund,  
20 shall be held in trust.

21 \* Sec. 7. AS 14.40.400(b) is repealed and reenacted to read:

22 (b) The commissioner of revenue is the fiduciary of the trust  
23 fund and shall account for and invest the fund as set out in AS 37.-  
24 14.110(c), 37.14.160, and 37.14.170, except that the commissioner  
25 shall report the condition and investment performance of the fund to  
26 the Board of Regents.

27 \* Sec. 8. AS 14.40.400(c) is amended to read:

28 (c) The net income from the trust fund shall be used exclusively  
29 for the Agricultural College and School of Mines.

Chapter 141

\* Sec. 9. AS 14.40.400(e) is amended to read:

(e) The Department of Administration shall disburse the net income from the trust fund upon vouchers approved by the president and treasurer of the University of Alaska specifying the purpose for which the money is to be used and showing it is to be used in conformity with this section.

\* Sec. 10. AS 14.42.200(8) is amended to read:

(8) invest or reinvest, subject to its contracts with noteholders and bondholders, money held by the corporation as set out in AS 37.10.071 [OBLIGATIONS OR OTHER SECURITIES AUTHORIZED FOR INVESTMENTS OF THE COMMISSIONER OF REVENUE UNDER AS 37.10.070(a)];

\* Sec. 11. AS 14.42.210(b) is amended to read:

(b) Money and other assets of the student loan fund may be used to secure bonds of the corporation, invested in student loans and investments under AS 37.10.071 [DESCRIBED IN AS 37.10.070(a)] and used to purchase loans approved under AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, or 14.43.710 - 14.43.790.

\* Sec. 12. AS 18.26.170 is amended to read:

Sec. 18.26.170. INVESTMENTS BY AUTHORITY. Except as otherwise provided by this chapter, the authority may invest any funds, not needed to meet current cash expenditure needs, as set out in AS 37.10.071 [SECURITIES, OBLIGATIONS OR CERTIFICATES OF DEPOSIT APPROVED FOR INVESTMENT OF THE STATE TREASURY SURPLUS UNDER AS 37.10.070(a)(1) - (4). THESE INVESTMENTS SHALL BE PURCHASED AT NO HIGHER PRICE THAN THE OFFERING OR MARKET PRICE OF THEM AT THE TIME OF THE PURCHASE].

\* Sec. 13. AS 18.56.095(b) is amended to read:

(b) In addition to any other fees and charges that the corporation may charge on mortgage loans, it may collect or cause to be

1 collected on all mortgage loans made or purchased with the proceeds of  
2 the sale of mortgage insurance bonds, either or both a special mort-  
3 gage loan insurance commitment fee or a mortgage loan insurance premi-  
4 um. The special mortgage loan insurance commitment fees and special  
5 mortgage loan insurance premiums when received shall be deposited in  
6 the mortgage insurance fund by the corporation, or by any mortgage  
7 loan servicer, trustee, or agent designated by the corporation to  
8 receive them, and shall be held, invested and, together with all  
9 investment income derived from them, reinvested by the commissioner of  
10 revenue as set out in AS 37.10.071 [INVESTMENTS AUTHORIZED UNDER  
11 AS 37.10.070(a)], subject to any agreement with the corporation under  
12 (a) of this section.

13 \* Sec. 14. AS 22.25.048(a) is amended to read:

14 (a) The commissioner of administration shall establish a judi-  
15 cial retirement trust fund for the judicial retirement system in which  
16 the assets of the system are deposited and held. The commissioner  
17 [AND] shall maintain accounts and records for the [JUDICIAL RETIRE-  
18 MENT] system.

19 \* Sec. 15. AS 22.25.048(c) is repealed and reenacted to read:

20 (c) The commissioner of revenue is the treasurer of the system  
21 and the fiduciary of the fund and has the same powers and duties under  
22 this section in regard to the judicial retirement trust fund as are  
23 provided in AS 14.25.180.

24 \* Sec. 16. AS 26.05.228(a) is amended to read:

25 (a) The commissioner of administration shall establish a mili-  
26 tary retirement trust fund for the system in which the assets of the  
27 system are deposited and held. The commissioner shall [AND] maintain  
28 accounts and records for the system.

29 \* Sec. 17. AS 26.05.228(c) is repealed and reenacted to read:

Chapter 141

(c) The commissioner of revenue is the treasurer of the system and the fiduciary of the fund and has the same powers and duties under this section in regard to the fund as are provided under AS 14.25.180.

\* Sec. 18. AS 36.30.850(b) is amended to read:

(b) This chapter applies to every expenditure of state funds, irrespective of their sources, including federal assistance except as otherwise specified in AS 36.30.890, by the state, acting through an agency, under a contract, except that this chapter does not apply to

(1) grants;

(2) contracts for professional witnesses to provide for professional services or testimony relating to existing or probable lawsuits in which the state is or may become a party;

(3) contracts of the University of Alaska where the work is to be performed substantially by students enrolled in the university;

(4) contracts for medical doctors and dentists;

(5) acquisitions or disposals of real property or interest in real property, except as provided in AS 36.30.080;

(6) disposals under AS 38.05;

(7) contracts for the preparation of ballots under AS 15.-15.030;

(8) acquisitions or disposals of property and other contracts relating to airports under AS 02.15.070, 02.15.090, and 02.15.-091;

(9) disposals of obsolete property under AS 19.05.060;

(10) disposals of obsolete material or equipment under AS 35.20.060;

(11) agreements with providers of services under AS 47.07; AS 47.08; AS 47.10; AS 47.17; AS 47.24; AS 47.25.195, and 47.25.310;

(12) contracts of the Department of Fish and Game for

1 flights that involve specialized flying and piloting skills and are  
2 not point-to-point;

3 (13) purchases of income-producing assets for the state  
4 treasury or a public corporation of the state;

5 (14) a contract that is a delegation, in whole or in part,  
6 of investment powers held by the commissioner of revenue under AS 14.-  
7 25.180, AS 14.40.400, AS 14.42.200, 14.42.210, AS 18.56.095, AS 22.-  
8 25.048, AS 26.05.228, AS 37.10.070, 37.10.071, AS 37.14, or AS 39.-  
9 35.080; or

10 (15) a contract that is a delegation, in whole or in part,  
11 of investment powers of the Board of Trustees of the Alaska Permanent  
12 Fund Corporation under AS 37.13.

13 \* Sec. 19. AS 37.10.070 is repealed and reenacted to read:

14 Sec. 37.10.070. INVESTMENT OF RESIDUAL MONEY. (a) The commis-  
15 sioner shall invest, as set out in AS 37.10.071, the money in the  
16 state treasury above an amount sufficient to meet immediate expendi-  
17 ture needs. In managing the invested assets, the commissioner shall

18 (1) consider the status of the assets and liabilities on  
19 both a current and a probable future basis;

20 (2) determine the appropriate investment objectives;

21 (3) establish investment policies to achieve the objec-  
22 tives; and

23 (4) act only in regard to the best financial interests of  
24 the state.

25 (b) The commissioner may invest on the basis of probable total  
26 rate of return without regard to the distinction between principal and  
27 income and without regard to the generation of income.

28 (c) In this section, "commissioner" means the commissioner of  
29 revenue.

Chapter 141

\* Sec. 20. AS 37.10 is amended by adding a new section to read:

Sec. 37.10.071. INVESTMENT POWERS AND DUTIES. (a) In making investments under this section, the commissioner of revenue shall

(1) act as official custodian of cash and investments by securing adequate and safe custodial facilities for them;

(2) receive all items of cash and investments;

(3) collect and deposit the principal of and income from owned or acquired investments;

(4) invest and reinvest the assets in accordance with this section;

(5) receive and spend appropriations to cover the cost of the exercise of duties under this section;

(6) exercise the powers of an owner with respect to the assets;

(7) perform all acts, not prohibited by this section, whether or not expressly authorized, that the commissioner considers necessary or proper in administering the assets;

(8) maintain accounting records in accordance with investment accounting principles;

(9) engage an independent certified public accountant to conduct an annual audit of the financial condition and investment transactions;

(10) enter into and enforce contracts or agreements considered necessary, convenient, or desirable for the investment purposes of this section; and

(11) when choosing to acquire or dispose of investments, secure competitive national or international market rates or prices, or the equivalence of those rates or prices in the judgment of the commissioner.

1 (b) Under this section, the commissioner or the commissioner's  
2 designee may

3 (1) delegate investment, custodial, or depository authority  
4 on a discretionary or nondiscretionary basis to officers or employees  
5 of the state or to independent firms, banks, or trust companies, by  
6 designation through appointments, contracts, or letters of authority;

7 (2) acquire or dispose of investments either directly,  
8 indirectly, or through investment pools or trusts, by competitive or  
9 negotiated agreements, contracts, or auctions, in public or private  
10 markets;

11 (3) concentrate or diversify investments as the commis-  
12 sioner considers appropriate to increase the probable total rate of  
13 return or to decrease the overall exposure to potentially adverse  
14 market value risks;

15 (4) protect the market value or the rate of return of the  
16 investments by entering into forward agreements to buy or sell assets  
17 at a future date as a hedge against existing held assets or as a  
18 precommitment of future cash flows;

19 (5) lend assets, under an agreement and for a fee, against  
20 deposited collateral of equivalent market value;

21 (6) borrow assets on a short-term basis, under an agreement  
22 and for a fee, against the deposit of collateral consisting of other  
23 assets in order to accommodate temporary cash or investment needs;

24 (7) hold investments in bearer or registered form in the  
25 name of the state, a fund, or nominees authorized by the commissioner;

26 (8) utilize consultants, advisors, custodians, investment  
27 services, and legal counsel for assistance in investment matters on  
28 either a continuing or a limited-term basis and with or without com-  
29 pensation;

Chapter 141

1 (9) declare records to be confidential and exempt from  
2 AS 09.25.110 and 09.25.120 if the records contain information that  
3 discloses the particulars of the business or the affairs of a private  
4 enterprise, investor, borrower, advisor, consultant, counsel, or  
5 manager.

6 (c) In exercising investment, custodial, or depository powers or  
7 duties under this section, the commissioner shall exercise the judg-  
8 ment and care under the circumstances then prevailing that an institu-  
9 tional investor of ordinary professional prudence, discretion, and  
10 intelligence exercises in managing large investments with considera-  
11 tion for the purpose of the fund, the investment objectives, the  
12 continuing disposition of the fund's investments, and the probable  
13 safety of the capital as well as the probable investment returns.

14 (d) In exercising investment, custodial, or depository powers or  
15 duties under this section, the commissioner or a designee of the  
16 commissioner is liable for a breach of a duty that is assigned or  
17 delegated under this section, or under AS 14.25.180, AS 14.40.400(b),  
18 AS 37.10.070, AS 37.14.110(c), 37.14.160, 37.14.170, or AS 39.35.080.  
19 However, the commissioner or the commissioner's designee is not liable  
20 for a breach of a duty that has been delegated to another person if  
21 the delegation is prudent under the applicable standard of prudence  
22 set out in statute or if the duty is assigned by law to another per-  
23 son, except to the extent that the commissioner or designee

24 (1) knowingly participates in, or knowingly undertakes to  
25 conceal, an act or omission of another person, knowing that the act or  
26 omission is a breach of that person's duties under this chapter;

27 (2) by failure to comply with this section in the adminis-  
28 tration of specific responsibilities, enables another person to commit  
29 a breach of duty; or

1 (3) has knowledge of a breach of duty by another person,  
2 unless the commissioner or designee makes reasonable efforts under the  
3 circumstances to remedy the breach.

4 (e) The state shall defend and indemnify the commissioner or an  
5 officer or employee of the state against liability under (d) of this  
6 section to the extent that the alleged act or omission was performed  
7 in good faith and was prudent under the applicable standard of pru-  
8 dence.

9 (f) In this section, "commissioner of revenue" or "commissioner"  
10 means

11 (1) the commissioner of revenue for investments under  
12 AS 14.25.180 or AS 37.10.070; or

13 (2) the person or body provided by law to manage the inves-  
14 tments, for investments not subject to AS 14.25.180 or AS 37.10.070.

15 \* Sec. 21. AS 37.14.110(a) is amended to read:

16 (a) There is established as a separate endowment trust fund the  
17 public school trust fund.

18 \* Sec. 22. AS 37.14.110(c) is repealed and reenacted to read:

19 (c) The commissioner of revenue shall determine the net income  
20 of the fund in accordance with investment accounting principles and in  
21 a manner that preserves the distinction between principal and income  
22 and that excludes capital gains or losses realized on principal. The  
23 principal of the fund and the capital gains or losses realized on  
24 principal shall be perpetually retained in the fund for investment  
25 purposes.

3 \* Sec. 23. AS 37.14.140 is repealed and reenacted to read:

4 Sec. 37.14.140. UTILIZATION OF INCOME. The net income of the  
5 fund may not be appropriated for a purpose other than the support of  
6 the state public school program. The commissioner of revenue shall

Chapter 141

invest realized net income that has not been appropriated or that has been appropriated but not expended until the income is appropriated and expended.

\* Sec. 24. AS 37.14.160 is repealed and reenacted to read:

Sec. 37.14.160. DUTIES OF THE COMMISSIONER OF REVENUE. The commissioner of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

(1) exercise the powers and duties established in AS 14.-25.180(c);

(2) deposit the principal and income from investments in separate principal and income accounts for the fund;

(3) invest and maintain accounting records that distinguish between the principal and income of the fund;

(4) provide reports to the board established under AS 37.-14.120 on the condition and investment performance of the fund.

\* Sec. 25. AS 37.14.170 is repealed and reenacted to read:

Sec. 37.14.170. INVESTMENTS. The commissioner of revenue is the fiduciary of the trust fund and shall invest the fund to provide increasing net income over long-term periods to the fund's income beneficiaries. The commissioner may invest the money in the fund on the basis of probable total rate of return to promote the long-term generation of income. In managing the trust fund, the commissioner shall

(1) consider the status of the fund's capital and the income generated on both a current and a probable future basis;

(2) determine the appropriate investment objectives;

(3) establish investment policies to achieve the objectives; and

(4) act only in regard to the financial interests of the

1 fund's beneficiaries.

2 \* Sec. 26. AS 39.25.110 is amended by adding a new paragraph to read:

3 (25) investment officers in the Department of Revenue.

4 \* Sec. 27. AS 39.30.095(a) is amended to read:

5 (a) The commissioner of administration shall establish the group  
6 health and life benefits fund as a special account in the general fund  
7 to provide for group life and health insurance under AS 39.30.090 and  
8 39.30.160. The commissioner shall maintain accounts and records for  
9 the fund. The fund consists of employer contributions, employee  
10 contributions, appropriations from the legislature, and income [INTER-  
11 EST] earned on investment of the fund as provided in (d) of this  
12 section.

13 \* Sec. 28. AS 39.30.095(d) is amended to read:

14 (d) If the commissioner of administration determines that there  
15 is more money in the fund than the amount needed to pay premiums or  
16 benefits for the current fiscal year, the surplus, or so much of it as  
17 the commissioner of administration considers advisable, may be in-  
18 vested by the commissioner of revenue in the same manner as retirement  
19 funds are invested under AS 14.25.180 [AS 39.35.110].

20 \* Sec. 29. AS 39.35.020 is amended to read:

21 Sec. 39.35.020. ADMINISTRATION. The commissioner of adminis-  
22 tration is responsible for the administration of the system and for  
23 carrying out this chapter. In addition the commissioner shall [HAS  
24 THE FOLLOWING POWERS AND DUTIES:]

- 25 (1) maintain the accounts of the system;
- 26 (2) make payments for the various purposes specified;
- 27 (3) submit periodic reports or statements of account that  
28 are needed;
- 29 (4) issue a statement of account to an employee requesting

Chapter 141

1 it showing the amount of the employee's contributions to the system;

2 (5) as soon as possible after the close of each fiscal  
3 year, and not later than six months after the close of each fiscal  
4 year, send to the governor, the legislature, and the board an annual  
5 statement on the operations of the system containing

6 (A) a balance sheet;

7 (B) a statement of income and expenditures for the  
8 year;

9 (C) a report on an actuarial valuation of its assets  
10 and liabilities;

11 (D) [REPEALED

12 (E)] a summary [LIST] of assets held in the pension  
13 fund listed by the categories of investment, as provided by the  
14 commissioner of revenue [INVESTMENTS OWNED];

15 (E) [(F)] other statistical financial data that are  
16 necessary for a proper understanding of the financial condition  
17 of the system and the result of its operations;

18 (6) establish a public employees retirement trust fund in  
19 which the assets of the system shall be deposited and held;

20 (7) engage an independent certified public accountant to  
21 conduct an annual audit of the system's accounts and the annual report  
22 of the system's financial condition and activity;

23 (8) report to the board concerning the condition and admin-  
24 istration of the system and distribute the report to the members of  
25 the system. [REPEALED]

26 \* Sec. 30. AS 39.35.080 is repealed and reenacted to read:

27 Sec. 39.35.080. DUTIES OF THE COMMISSIONER OF REVENUE. The  
28 commissioner of revenue is the treasurer of the system and the fidu-  
29 ciary of the fund. The commissioner has the same powers and duties

1 established under this chapter in regard to the fund as are provided  
2 in AS 14.25.035(d) and 14.25.180.

3 \* Sec. 31. AS 44.83.386 is amended to read:

4 Sec. 44.83.386. INVESTMENT OF FUND. The Department of Revenue  
5 shall invest the money in the fund in accordance with AS 37.10.070,  
6 37.10.071, and 37.10.075. The Department of Revenue shall provide  
7 money in the fund to the authority only after costs have been incurred  
8 or amounts in the fund have been otherwise obligated under contracts  
9 for the acquisition and construction of a project. Amounts that have  
10 been obligated, but for which costs have not yet been incurred, may be  
11 segregated by the Department of Revenue or transferred to the author-  
12 ity only with the prior approval or agreement of the commissioner of  
13 revenue. Income [INTEREST] received on money that is segregated or  
14 transferred under this section must be deposited in the general fund.

15 \* Sec. 32. AS 44.88.155(c) is amended to read:

16 (c) Money and other assets of the enterprise development account  
17 may be used to secure bonds of the authority issued to finance the  
18 purchase of loans for projects and shall be held and invested by the  
19 authority in accordance with AS 37.10.071 [THE TYPES OF INVESTMENTS  
20 DESCRIBED IN AS 37.10.070(a) AND AS 39.35.110(a)(9) AND (14)] or shall  
21 be used to purchase loans for projects.

22 \* Sec. 33. AS 18.55.375; AS 21.88.210(d); AS 26.15.060; AS 37.10.079,  
23 37.10.080; AS 37.14.130(3); AS 39.25.120(c)(13); AS 39.35.110; AS 45.95.-  
24 030, 45.95.040(b); and AS 45.98.050(b) are repealed.

15 \* Sec. 34. This Act takes effect immediately under AS 01.10.070(c).