

**CS FOR SENATE BILL NO. 89(FIN) am**

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 3/22/96

Offered: 3/8/96

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

**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. One [TWO OF THE MEMBERS  
7 MUST BE HEADS OF PRINCIPAL DEPARTMENTS OF STATE GOVERNMENT,  
8 ONE OF WHOM] shall be the commissioner of revenue. Six [FOUR] members shall  
9 be appointed by the governor from the public and may not hold any other state or  
10 federal office, position, or employment, either elective or appointive, except as a  
11 member of the armed forces of 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

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

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

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

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

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

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

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

21 (3) conviction of a crime that would cause a significant number of  
22 reasonably prudent members of the public to distrust the trustee's ability to  
23 discharge the duties of the trustee.

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

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

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

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

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

1                   Sec. 37.13.100. CORPORATION STAFF. The board may employ and  
2 determine the salary of an executive director. The executive director may, with the  
3 approval of the board, select and employ additional staff as necessary. **The executive**  
4 **director and other employees serve at the pleasure of the board, except that the**  
5 **board may enter into employment contracts that do not exceed two years'**  
6 **duration.** An employee of the corporation, including the executive director, may not  
7 be a member of the board. The executive director and the other employees of the  
8 board are in the exempt service under AS 39.25.

9 \* **Sec. 7.** AS 37.13.100 is amended by adding a new subsection to read:

10                   (b) A board member shall act solely in the best interest of the fund when  
11 making decisions regarding the executive director or employees of the corporation.  
12 A person who violates this subsection breaches a fiduciary responsibility.