

SENATE CS FOR CS FOR HOUSE BILL NO. 13(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 3/28/08

Referred: Rules

Sponsor(s): REPRESENTATIVES HAWKER, Fairclough, Kelly, Roses, Dahlstrom, Johnson, Johansen, Lynn, LeDoux

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to prepayments of accrued actuarial liabilities of government**
2 **retirement systems; relating to the Alaska Municipal Bond Bank Authority, the Alaska**
3 **Housing Finance Corporation, and the state bond committee; establishing the Alaska**
4 **Pension Obligation Bond Corporation; permitting the Alaska Municipal Bond Bank**
5 **Authority or a subsidiary of the authority, a subsidiary of the Alaska Housing Finance**
6 **Corporation, the state bond committee, and the Alaska Pension Obligation Bond**
7 **Corporation to assist state and municipal governmental employers by issuing bonds,**
8 **notes, commercial paper, or other obligations to enable the governmental employers to**
9 **prepay all or a portion of the governmental employers' shares of the unfunded accrued**
10 **actuarial liabilities of retirement systems; authorizing a governmental employer to enter**
11 **into a lease or other contractual agreement with a trustee, the Alaska Municipal Bond**
12 **Bank Authority or a subsidiary of the authority, a subsidiary of the Alaska Housing**

1 **Finance Corporation, the state bond committee, or the Alaska Pension Obligation Bond**
2 **Corporation in connection with the issuance of obligations by a state entity for the**
3 **purpose of prepaying all or a portion of the governmental employer's share of the**
4 **unfunded accrued actuarial liabilities of retirement systems, and relating to those**
5 **obligations; relating to revision of the employer contribution rate in connection with**
6 **financed prepayment of unfunded accrued actuarial liabilities of government retirement**
7 **systems; and providing for an effective date."**

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

9 * **Section 1.** AS 14.25.070 is amended by adding new subsections to read:

10 (d) All or a portion of the employer's share of any accrued actuarial liability to
11 the plan may be prepaid in a lump sum. The commissioner of administration may, by
12 regulation, establish a minimum amount for the lump sum payment of a portion. The
13 administrator shall charge to the employer appropriate and reasonable administrative
14 costs to the plan attributable to a lump sum payment that are not greater than
15 administrative costs applied to other employer contributions. If an employer is
16 grouped with any other employer in accounting for contributions, the lump sum
17 payment for the employer shall be accounted for separately in accordance with
18 regulations adopted by the commissioner. The regulations must provide for crediting
19 to each lump sum payment account all earnings and losses received from investment
20 of that payment. The lump sum payment shall be used solely to offset contributions
21 under this section required of the employer for which the payment was made, taking
22 into account earnings and losses from its investment. A lump sum payment made by or
23 on behalf of an employer under this subsection, together with all earnings and losses
24 from investment of that payment, may not be considered in calculating that employer's
25 share of any discretionary payment authorized by the state that benefits multiple
26 employers.

27 (e) If all or a portion of an employer's share of any accrued actuarial liability
28 to the plan is prepaid in a lump sum under (d) of this section, the administrator shall

1 calculate a revised employer contribution rate for that employer in recognition of that
2 prepayment not more than 30 days following the prepayment.

3 * **Sec. 2.** AS 18.56.010 is amended by adding a new subsection to read:

4 (g) The legislature finds that permitting the Alaska Housing Finance
5 Corporation to create a subsidiary to assist in the financing of prepayment of all or a
6 portion of a governmental employer's share of unfunded accrued actuarial liability of
7 retirement systems serves a public purpose in benefiting the people of the state. The
8 Alaska Housing Finance Corporation may act on behalf of the state and its people in
9 serving this public purpose for the benefit of the general public.

10 * **Sec. 3.** AS 18.56.086 is amended to read:

11 **Sec. 18.56.086. Creation of subsidiaries.** The corporation may create
12 subsidiary corporations for the purpose of financing or facilitating the financing of
13 school construction, facilities for the University of Alaska, facilities for ports and
14 harbors, prepayment of all or a portion of a governmental employer's share of
15 unfunded accrued actuarial liability of retirement systems, or other capital
16 projects. A subsidiary corporation created under this section may be incorporated
17 under AS 10.20.146 - 10.20.166. The corporation may transfer assets of the
18 corporation to a subsidiary created under this section. A subsidiary created under this
19 section may borrow money and issue bonds as evidence of that borrowing, and has all
20 the powers of the corporation that the corporation grants to it. However, a subsidiary
21 created for the purpose of financing or facilitating the financing of prepayment of
22 a governmental employer's share of unfunded accrued actuarial liability of
23 retirement systems may borrow money and issue bonds only if the state bond
24 rating is the equivalent of AA- or better and subject to AS 37.15.903. Unless
25 otherwise provided by the corporation, the debts, liabilities, and obligations of a
26 subsidiary corporation created under this section are not the debts, liabilities, or
27 obligations of the corporation.

28 * **Sec. 4.** AS 18.56.110(g) is amended to read:

29 (g) Notwithstanding AS 18.56.090(a)(11) and (a) of this section, the
30 corporation may not issue bonds in any 12-month period beginning after June 30,
31 1983, in an amount that exceeds the amount of bonds authorized to be issued during

1 the preceding period, unless a different amount is authorized by the legislature. This
 2 subsection does not apply to

3 (1) the issuance by the corporation of refunding bonds;

4 (2) [OR TO] the issuance by the corporation of bonds the proceeds of
 5 which are intended to be used to refinance mortgage loans held by the corporation; or

6 (3) the issuance by a subsidiary of the corporation of bonds to
 7 prepay all or a portion of a governmental employer's share of unfunded accrued
 8 actuarial liability of retirement systems if the board of the subsidiary first finds
 9 that the actuarially assumed rate of return on the funds managed by the Alaska
 10 Retirement Management Board is projected to exceed the true interest cost to be
 11 paid on the bonds by at least 1.5 percent annually.

12 * **Sec. 5.** AS 18.56.390 is amended by adding a new paragraph to read:

13 (14) "governmental employer" means the State of Alaska or a
 14 municipality or other state or municipal governmental entity within the state, including
 15 an agency, instrumentality, district, school district, public corporation, department,
 16 division, or other subdivision of the state or of a municipality, in its capacity as an
 17 employer.

18 * **Sec. 6.** AS 29.47 is amended by adding a new section to read:

19 **Sec. 29.47.480. Accrued actuarial liabilities of retirement systems.** (a) A
 20 municipality, or two or more municipalities jointly, may enter into a lease or other
 21 contractual agreement with a trustee, or the Alaska Municipal Bond Bank Authority or
 22 a subsidiary of the authority, a subsidiary of the Alaska Housing Finance Corporation,
 23 the state bond committee, or the Alaska Pension Obligation Bond Corporation in
 24 connection with the issuance of obligations by a state entity to prepay all or a portion
 25 of each participating municipality's share of the accrued actuarial liabilities of
 26 retirement systems. Obligations issued for purposes described in this subsection must
 27 be secured and payable as provided in the agreement or under an authorizing
 28 ordinance. The agreement or ordinance may provide for reserves and for protective
 29 covenants.

30 (b) Amounts paid by a participating municipality in connection with
 31 obligations issued by a state entity under this section, together with proceeds of the

1 obligations and interest or earnings, may be pooled into one or more funds or
 2 accounts, including one or more debt service funds. The assets in any of the funds or
 3 accounts may be pledged to the holders of the obligations.

4 (c) A municipality may enter into a funds diversion agreement with a state
 5 agency regarding payment of money on behalf of the municipality that may be applied
 6 to payments under a lease, other agreement, or obligation issued under this section.
 7 The funds diversion agreement must provide, subject to any conditions set out in the
 8 funds diversion agreement, that all or a portion of the funds otherwise payable to the
 9 municipality by the state agency shall be paid directly to the trustee, the Alaska Bond
 10 Bank Authority, or its subsidiary, a subsidiary of the Alaska Housing Finance
 11 Corporation, the state bond committee, or the Alaska Pension Obligation Bond
 12 Corporation, to satisfy, in whole or part, the municipality's payments under the lease,
 13 other agreement, or obligations. Nothing in this subsection or in a funds diversion
 14 agreement entered into under this subsection obligates the state or a state agency to
 15 pay any amount to or on behalf of a municipality that the municipality is not otherwise
 16 entitled to receive or to make any payments of principal or interest on the obligations.

17 (d) For purposes of this section, "obligations" means bonds, notes, commercial
 18 paper, certificates of participation, or other contractual obligations.

19 * **Sec. 7.** AS 36.30.850(b) is amended by adding a new paragraph to read:

20 (46) contracts of the Alaska Pension Obligation Bond Corporation
 21 under AS 37.16.010 - 37.16.900.

22 * **Sec. 8.** AS 37.15 is amended by adding new sections to read:

23 **Article 8. Pension Obligation Bonds.**

24 **Sec. 37.15.900. Bond authorization.** (a) For purposes of financing
 25 prepayment of all or a portion of a governmental employer's share of unfunded
 26 accrued actuarial liability of retirement systems, including the costs of issuance and
 27 administration, the issuance and sale of bonds of the state by the committee is
 28 authorized as provided in this section and AS 37.15.903 - 37.15.955, but only if the
 29 state bond rating is the equivalent of AA- or better. The net proceeds of the sale of the
 30 bonds remaining after payment of costs of issuance and administration shall be
 31 transferred to the commissioner of administration for the account of the governmental

1 employer whose share of unfunded accrued actuarial liability is to be prepaid for
 2 application to that liability. Accrued interest paid on the bonds shall be paid into the
 3 pension obligation bond redemption fund.

4 (b) The total unpaid principal amount of bonds, including refunding bonds,
 5 but excluding refunded bonds, is limited as provided in AS 37.15.903. The bonds do
 6 not constitute a general obligation of the state. Authorization by the voters of the state
 7 or the legislature is not required.

8 (c) The committee may enter into agreements with other state agencies as
 9 necessary or convenient to implement this section and AS 37.15.903 - 37.15.955.

10 (d) The committee may contract for the services of underwriters, paying
 11 agents, trustees, bond printers, rating agencies, bond insurance, credit enhancement
 12 providers, accountants, financial advisors, and bond counsel, and for other services as
 13 are necessary to accomplish the bond issuance and sale.

14 **Sec. 37.15.903. Pension obligation bond limit.** The total unpaid principal
 15 amount of bonds, including refunding bonds, but excluding refunded bonds, issued by
 16 all state entities added together, for the purposes of financing prepayment of all or a
 17 portion of a governmental employer's share of unfunded accrued liability of retirement
 18 systems, may not exceed \$5,000,000,000.

19 **Sec. 37.15.905. Bond redemption fund.** (a) There is established a special fund
 20 of the state, known as the pension obligation bond redemption fund, which is a trust
 21 fund for paying and securing the payment of the principal of and interest and
 22 redemption premium, if any, on the bonds, and which shall be at all times completely
 23 segregated and set apart from all other funds of the state. The bond redemption fund
 24 shall be drawn on only for the purpose of paying the principal of and interest and
 25 redemption premium, if any, on the bonds, together with related trustee fees, if any.

26 (b) Money in the bond redemption fund may be invested in the same manner
 27 and on the same conditions as permitted for investing of money belonging to the state
 28 or held in the treasury under AS 37.10.070; however, the committee may agree with
 29 the bondholders to further limit these investments. Earnings on investments must be
 30 retained in the bond redemption fund.

31 (c) Separate accounts may be created in the bond redemption fund for the

1 purposes of paying and securing the bonds. The accounts may be combined for
 2 purposes of investment and for financial support to achieve the purposes of
 3 AS 37.15.910(c).

4 **Sec. 37.15.910. Bond terms.** (a) The bonds may be issued and sold at public
 5 or negotiated sale in the manner, in the amounts or series, and at the time or times that
 6 the committee determines. The bonds, or each series of them, shall be sold at the price
 7 and on the terms, conditions, and covenants set by the committee after considering
 8 market conditions. Interest rates may be fixed or variable.

9 (b) The bonds mature at the time or times fixed by the committee. The bonds
 10 may be subject to redemption before their fixed maturities, as determined by the
 11 committee, with or without a premium or premiums. The bonds may be in
 12 denominations determined by the committee; may be issued in fully or partially
 13 registered form; must be payable as to principal and interest at the place or places
 14 determined by the committee; must be signed on behalf of the state in the manner
 15 provided by the committee; and must be issued under and subject to the terms,
 16 conditions, covenants, and protective features safeguarding payment of the bonds as
 17 found necessary by the committee.

18 (c) If the committee finds it reasonably necessary, the committee may select a
 19 trustee or trustees for the holders of the bonds, or any series of them, for the
 20 safeguarding and disbursement of any of the money in the bond redemption fund or
 21 for duties with respect to the enforcement, authentication, delivery, payment, and
 22 registration of the bonds as the committee may determine. The committee shall fix the
 23 rights, duties, powers, and obligations of the trustee or trustees.

24 (d) In its determination of all matters and questions relating to the issuance
 25 and sale of the bonds and the fixing of their maturities, terms, conditions, and
 26 covenants as provided in (a) of this section, the decisions of the committee shall be
 27 those that are reasonably necessary for the best interests of the state and its inhabitants
 28 and that will accomplish the most advantageous sale of the bonds. Decisions of the
 29 committee, as expressed in a bond resolution, are final and are conclusively
 30 considered to comply with the requirements of AS 37.15.900 - 37.15.955.

31 **Sec. 37.15.915. Bond resolution.** The committee shall authorize the issuance

1 of bonds by adopting a resolution and shall prepare all other documents and
 2 proceedings necessary for the issuance, sale, and delivery of the bonds or any part or
 3 series of them. The bond resolution must fix the principal amount, denominations,
 4 date, maturities, manner of sale, place or places of payment, rights of redemption, if
 5 any, terms, form, conditions, and covenants of the bonds or each series of them.

6 **Sec. 37.15.920. Enforcement by bond owner.** (a) The owner or owners of not
 7 less than 10 percent of the aggregate principal amount of any series or issue of bonds
 8 or the trustee for the owners of the bonds or any series of them may, by appropriate
 9 proceedings in state court, require and compel the transfer, setting aside, and payment
 10 of money and the enforcement of all of the terms, conditions, and covenants as
 11 required and provided in AS 37.15.900 - 37.15.955, as appropriate, and the bond
 12 resolution.

13 (b) A proceeding under (a) of this section may be commenced and conducted
 14 only in the Superior Court for the State of Alaska, First Judicial District at Juneau.

15 **Sec. 37.15.925. Amounts required for payments.** The committee shall,
 16 before June 30 of each year or from time to time within the year, as appropriate,
 17 commencing with the year in which the bonds are issued, certify to the commissioner
 18 of revenue and the commissioner of administration the amounts required in the current
 19 fiscal year and the next ensuing fiscal year by the bond resolution or resolutions to be
 20 paid from the general fund into the bond redemption fund and to be paid into and
 21 maintained in any reserve fund or account or other fund or account created by the
 22 bond resolution or resolutions, and shall also certify to the commissioners the last date
 23 or dates on which payments may be made.

24 **Sec. 37.15.930. Purposes and sufficiency of revenue.** The proceeds of bonds
 25 may be used for the purposes described in AS 37.15.900(a), as appropriate. Bonds
 26 may not be issued unless the committee first finds that the actuarially assumed rate of
 27 return on the funds managed by the Alaska Retirement Management Board is
 28 projected to exceed the true interest cost to be paid on the bonds by at least 1.5 percent
 29 annually.

30 **Sec. 37.15.935. Refunding.** (a) The committee may refund the bonds or any
 31 part of them at or before their maturities or redemption dates by the issuance of

1 refunding bonds of the state if the state bond rating is the equivalent of AA- or better
 2 and if, in the opinion of the committee, refunding is advantageous to and in the best
 3 interest of the state and its inhabitants.

4 (b) The issuance of refunding bonds need not be authorized by the voters of
 5 the state or by an act of the legislature. The committee shall adopt the resolution or
 6 resolutions and prepare all other documents and proceedings necessary for the
 7 issuance, exchange or sale, and delivery of the refunding bonds. All provisions of
 8 AS 37.15.900 - 37.15.955 are applicable to the refunding bonds and to the issuance,
 9 sale, or exchange of them, except as otherwise provided in this section.

10 (c) Refunding bonds may be issued in a principal amount sufficient to provide
 11 money for the advance or current refunding of all bonds to be refunded and interest on
 12 the refunded bonds and, in addition, for the payment of all costs of issuance and
 13 administration of the refunding bonds. These expenses also include the difference in
 14 amount between the par value of the refunding bonds and any amount less than par for
 15 which the refunding bonds are sold; the premium, if any, necessary to be paid to call
 16 or retire the outstanding bonds and the interest accruing on them to the date of the call
 17 or retirement; and other of these costs. The committee is authorized to incur expenses
 18 to carry out this section.

19 (d) The committee may contract with a refunding trustee to hold the proceeds
 20 of refunding bonds in trust until the proceeds, together with earnings on the proceeds,
 21 are applied to pay the principal of, premium, if any, and interest on the bonds to be
 22 refunded. Until the refunding bond proceeds are applied, the proceeds may be invested
 23 in direct obligations of, or obligations guaranteed by, the United States or an agency or
 24 corporation of the United States whose obligations constitute direct obligations of, or
 25 obligations guaranteed by, the United States.

26 **Sec. 37.15.940. Bonds as legal investments.** The bonds are legal investments
 27 for all banks, trust companies, savings banks, savings and loan associations, and other
 28 persons carrying on a banking business, all insurance companies and other persons
 29 carrying on an insurance business, and all executors, administrators, trustees, and other
 30 fiduciaries. The bonds may be accepted as security for deposits of all money of the
 31 state and its political subdivisions.

1 **Sec. 37.15.945. Statutory construction.** AS 37.15.900 - 37.15.955 shall be
2 liberally construed to carry out the purposes for which they were enacted.

3 **Sec. 37.15.950. Regulations.** The committee may adopt regulations necessary
4 to implement the provisions of AS 37.15.900 - 37.15.955.

5 **Sec. 37.15.955. Definitions.** In AS 37.15.900 - 37.15.955,

6 (1) "bond redemption fund" means the pension obligation bond
7 redemption fund established in AS 37.15.905;

8 (2) "bond resolution" means a resolution or resolutions adopted by the
9 committee under AS 37.15.915 authorizing the issuance of bonds;

10 (3) "bonds" means the pension obligation bonds authorized in
11 AS 37.15.900 - 37.15.955;

12 (4) "committee" means the state bond committee created in
13 AS 37.15.110 or any other committee, body, department, or officer of the state that
14 succeeds to the rights, powers, duties, and obligations of the state bond committee by
15 law;

16 (5) "costs of issuance and administration" means all costs associated
17 with issuance and administration of pension obligation bonds and refunding bonds,
18 including costs of bond printing, official statements, financial advisors, travel costs,
19 rating agencies, bond insurance, letters and lines of credit for credit enhancement,
20 underwriters, legal services, paying agents, bond registrars, bond and escrow trustees,
21 arbitrage rebate, and all other costs, including administrative costs, both direct and
22 indirect.

23 * **Sec. 9.** AS 37 is amended by adding a new chapter to read:

24 **Chapter 16. Alaska Pension Obligation Bond Corporation.**

25 **Sec. 37.16.010. Alaska Pension Obligation Bond Corporation.** There is
26 established the Alaska Pension Obligation Bond Corporation. The corporation is a
27 public corporation and government instrumentality in the Department of Revenue
28 managed by a board of directors. The purpose of the corporation is to finance
29 prepayment of all or a portion of a governmental employer's share of unfunded
30 accrued actuarial liability of retirement systems.

31 **Sec. 37.16.020. Board of directors.** The directors of the corporation are the

1 commissioner of commerce, community, and economic development, the
 2 commissioner of administration, and the commissioner of revenue. If a director is
 3 absent or otherwise unable to act, the director's designee in the department shall act as
 4 a director of the corporation in the director's place.

5 **Sec. 37.16.030. Bond authorization.** (a) For purposes of financing
 6 prepayment of all or a portion of a governmental employer's share of unfunded
 7 accrued actuarial liability of retirement systems, including the costs of issuance and
 8 administration, the issuance and sale of bonds by the corporation is authorized as
 9 provided in this section and AS 37.16.040 - 37.16.900, but only if the state bond rating
 10 is the equivalent of AA- or better. The net proceeds of the sale of the bonds remaining
 11 after payment of costs of issuance and administration shall be transferred to the
 12 commissioner of administration for the account of the governmental employer whose
 13 share of unfunded accrued actuarial liability is to be prepaid for application to that
 14 liability. Accrued interest paid on the bonds shall be paid into the reserve fund.

15 (b) The total unpaid principal amount of bonds, including refunding bonds,
 16 but excluding refunded bonds, is limited as provided in AS 37.15.903. The bonds do
 17 not constitute a general obligation of the state. Authorization by the votes of the state
 18 or the legislature is not required.

19 (c) The corporation may enter into agreements with other state agencies as
 20 necessary or convenient to implement this section and AS 37.16.040 - 37.16.900.

21 (d) The corporation may contract for the services of underwriters, paying
 22 agents, trustees, bond printers, rating agencies, bond insurance, credit enhancement
 23 providers, accountants, financial advisors, and bond counsel, and other services as are
 24 necessary to accomplish the bond issuance and sale.

25 **Sec. 37.16.040. Reserve fund.** (a) The corporation may establish and maintain
 26 a special fund called the Alaska Pension Obligation Bond Corporation reserve fund in
 27 which there shall be deposited or transferred

28 (1) all money appropriated by the legislature for the purpose of the
 29 fund in accordance with the provisions of (g) of this section;

30 (2) all proceeds of bonds required to be deposited in the fund by terms
 31 of a contract between the corporation and its bondholders or a resolution of the

1 corporation with respect to the proceeds of bonds;

2 (3) all other money appropriated by the legislature to the reserve fund;
3 and

4 (4) any other money or funds of the corporation that it decides to
5 deposit in the fund.

6 (b) Subject to the provisions of (h) of this section, money in the reserve fund
7 shall be held and applied solely to the payment of the interest on and principal of
8 bonds of the corporation as the interest and principal become due and payable to the
9 retirement of bonds, or to the payment or prepayment of a portion of the participating
10 governmental employer's share of the accrued actuarial liabilities of retirement
11 systems. Money may not be withdrawn if a withdrawal would reduce the amount in
12 the reserve fund to an amount less than the required debt service reserve except for
13 payment of interest then due and payable on bonds and the principal of bonds then
14 maturing and payable and for the retirement of bonds in accordance with the terms of
15 a contract between the corporation and its bondholders and for which payments of
16 other money of the corporation is not then available.

17 (c) Money in the reserve fund in excess of the required debt service reserve as
18 defined in (b) of this section, whether because of investment or otherwise, may be
19 withdrawn at any time by the corporation to pay or prepay a portion of participating
20 governmental employer's share of the accrued actuarial liabilities of retirement
21 systems or transferred to another fund or account of the corporation subject to the
22 provision of (h) of this section.

23 (d) Money in the reserve fund may be invested in the same manner and on the
24 same conditions as permitted for investment of funds belonging to the state or held in
25 the treasury under AS 37.10.070; however, the corporation may agree with the
26 bondholders to further limit these investments.

27 (e) For purposes of valuation, investments in the reserve fund shall be valued
28 at par or, if purchased at less than par, at cost unless otherwise provided by resolution
29 of the corporation. Valuation on a particular date shall include the amount of interest
30 then earned or accrued to that date on the money or investments in the reserve fund.

31 (f) Notwithstanding any other provision of this chapter, bonds may not be

1 issued by the corporation unless there is in the reserve fund the required debt service
2 reserve for all bonds then issued and outstanding and for the bonds to be issued;
3 however, the corporation may satisfy this requirement by depositing as much of the
4 proceeds of the bonds to be issued, on their issuance, as is needed to meet the required
5 debt service reserve. The corporation may at any time issue its bonds or notes for the
6 purpose of increasing the amount in the reserve fund to the required debt service
7 reserve, or to meet whatever higher or additional reserve that may be fixed by the
8 corporation with respect to the fund.

9 (g) To assure the maintenance of the required debt service reserve in the
10 reserve fund, the legislature may appropriate annually to the corporation for deposit in
11 the fund the sum, certified by the chair of the corporation to the governor and to the
12 legislature, that is necessary to restore the fund to an amount equal to the required debt
13 service reserve. The chair annually, before January 30, shall make and deliver to the
14 governor and to the legislature a certificate stating the sum required to restore the fund
15 to that amount, and the certified sum may be appropriated and paid to the corporation
16 during the then current state fiscal year. Nothing in this subsection creates a debt or
17 liability of the state.

18 (h) All amounts received because of money appropriated to the reserve fund
19 shall be held and applied in accordance with (b) of this section.

20 (i) All references to the reserve fund in this section include special accounts
21 within the reserve fund that may be created by the corporation to secure the payment
22 of particular bonds.

23 (j) The commissioner of revenue may, subject to appropriation, lend surplus
24 money in the general fund to the corporation for deposit to any account in the reserve
25 fund in an amount equal to the required debt service reserve. The loans shall be made
26 on the terms and conditions that may be agreed on by the commissioner of revenue
27 and the corporation, including, without limitation, terms and conditions providing that
28 the loans need not be repaid until the obligations of the corporation secured and to be
29 secured by the account in the reserve fund are no longer outstanding.

30 (k) In this section, "required debt service reserve" means, on the date of
31 computation, the amount required to be on deposit in the reserve fund as provided by

1 resolution of the corporation.

2 **Sec. 37.16.050. Bond terms.** (a) The bonds may be issued and sold at public
3 or negotiated sale in the manner, in the amounts or series, and at the time or times that
4 the corporation determines the bonds, or each series of them, shall be sold at the price
5 and on the terms, conditions, and covenants set by the corporation after considering
6 market conditions. Interest rates may be fixed or variable.

7 (b) The bonds mature at the time or times fixed by the corporation. The bonds
8 may be subject to redemption before their fixed maturities, as determined by the
9 corporation, with or without a premium or premiums. The bonds may be in
10 denominations determined by the corporation; may be issued in fully or partially
11 registered form; must be payable as to principal and interest at the place or places
12 determined by the corporation; must be signed in the manner provided by the
13 corporation; and must be issued under and subject to the terms, conditions, covenants,
14 and protective features safeguarding payment of the bonds as found necessary by the
15 corporation.

16 (c) If the corporation finds it reasonably necessary, the corporation may select
17 a trustee or trustees for the holders of the bonds, or any series of them, for the
18 safeguarding and disbursement of any of the money in the bond reserve fund or for
19 duties with respect to the enforcement, authentication, delivery, payment, and
20 registration of the bonds as the corporation may determine. The corporation shall fix
21 the rights, duties, powers, and obligations of the trustee or trustees.

22 (d) In its determination of all matters and questions relating to the issuance
23 and sale of the bonds and the fixing of their maturities, terms, conditions, and
24 covenants as provided in (a) of this section, the decisions of the corporation shall be
25 those that are reasonably necessary for the best interests of the state and its inhabitants
26 and that will accomplish the most advantageous sale of the bonds. Decisions of the
27 corporation, as expressed in a bond resolution, are final and are conclusively
28 considered to comply with the requirements of this chapter.

29 **Sec. 37.16.060. Bond resolution.** The corporation shall authorize the issuance
30 of bonds by adopting a resolution and shall prepare all other documents and
31 proceedings necessary for the issuance, sale, and delivery of the bonds or any part or

1 series of them. The bond resolution must fix the principal amount, denominations,
 2 date, maturities, manner of sale, place or places of payment, rights of redemption, if
 3 any, terms, form, conditions, and covenants of the bonds or each series of them.

4 **Sec. 37.16.070. Enforcement by bond owner.** (a) The owner or owners of not
 5 less than 10 percent of the aggregate principal amount of any series or issue of bonds
 6 or the trustee for the owners of the bonds or any series of them may, by appropriate
 7 proceedings in state court, require and compel the transfer, setting aside, and payment
 8 of money and the enforcement of all of the terms, conditions, and covenants as
 9 required and provided in this chapter, as appropriate, and the bond resolution.

10 (b) A proceeding under (a) of this section may be commenced and conducted
 11 only in the Superior Court for the State of Alaska, First Judicial District at Juneau.

12 **Sec. 37.16.080. Purposes and sufficiency of revenue.** The proceeds of bonds
 13 may be used for the purposes described in AS 37.16.030(a), as appropriate. Bonds
 14 may not be issued unless the corporation first finds that the actuarially assumed rate of
 15 return on the funds managed by the Alaska Retirement Management Board is
 16 projected to exceed the true interest cost to be paid on the bonds by at least 1.5 percent
 17 annually.

18 **Sec. 37.16.090. Refunding.** (a) The corporation may refund the bonds or any
 19 part of them at or before their maturities or redemption dates by the issuance of
 20 refunding bonds of the corporation if the state bond rating is the equivalent of AA- or
 21 better and if, in the opinion of the corporation, refunding is advantageous to and in the
 22 best interest of the state and its inhabitants.

23 (b) The issuance of refunding bonds need not be authorized by the voters of
 24 the state or by an act of the legislature. The corporation shall adopt the resolution or
 25 resolutions and prepare all other documents and proceedings necessary for the
 26 issuance, exchange or sale, and delivery of the refunding bonds. All provisions of this
 27 chapter are applicable to the refunding bonds and to the issuance, sale, or exchange of
 28 them, except as otherwise provided in this section.

29 (c) Refunding bonds may be issued in a principal amount sufficient to provide
 30 money for the advance or current refunding of all bonds to be refunded and interest on
 31 the refunded bonds and, in addition, for the payment of all costs of issuance and

1 administration of the refunding bonds. These expenses also include the difference in
 2 amount between the par value of the refunding bonds and any amount less than par for
 3 which the refunding bonds are sold; the premium, if any, necessary to be paid to call
 4 or retire the outstanding bonds and the interests accruing on them to the date of the
 5 call or retirement; and other of these costs. The corporation is authorized to incur
 6 expenses to carry out this section.

7 (d) The corporation may contract with a refunding trustee to hold the proceeds
 8 of refunding bonds in trust until the proceeds, together with earnings on the proceeds,
 9 are applied to pay the principal of premium, if any, and interest on the bonds to be
 10 refunded. Until the refunding bond proceeds are applied, the proceeds may be invested
 11 in direct obligations of, or obligations guaranteed by, the United States of an agency or
 12 corporation of the United States whose obligations constitute direct obligations of, or
 13 obligations guaranteed by, the United States.

14 **Sec. 37.16.100. Bonds as legal investments.** The bonds are legal investments
 15 for all banks, trust companies, savings banks, savings and loan associations, and other
 16 persons carrying on a banking business, all insurance companies and other persons
 17 carrying on an insurance business, and all executors, administrators, trustees, and other
 18 fiduciaries. The bonds may be accepted as security for deposits of all money of the
 19 state and its political subdivisions.

20 **Sec. 37.16.110. Debt service repayment contracts.** The corporation shall
 21 enter into contracts with governmental employers for the purpose of recouping
 22 amounts paid as debt service on bonds issued by the corporation for the benefit of
 23 governmental employers. The corporation may pledge the revenue of the contracts as
 24 security for the bonds issued by the corporation.

25 **Sec. 37.16.800. Statutory construction.** This chapter shall be liberally
 26 construed to carry out the purposes for which it was enacted.

27 **Sec. 37.16.810. Regulations.** The corporation may adopt regulations necessary
 28 to implement the provisions of this chapter.

29 **Sec. 37.16.900. Definitions.** In this chapter,

30 (1) "bond resolution" means the resolution or resolutions adopted by
 31 the corporation under AS 37.16.060 authorizing the issuance of bonds;

1 (2) "bonds" means the pensions obligation bonds authorized in this
2 chapter;

3 (3) "corporation" means the Alaska Pension Obligation Bond
4 Corporation created in AS 37.16.010;

5 (4) "costs of issuance and administration" means all costs associated
6 with issuance and administration of pension obligation bonds and refunding bonds,
7 including costs of bond printing, official statements, financial advisors, travel costs,
8 rating agencies, bond insurance, letters and lines of credit for credit enhancement,
9 underwriters, legal services, paying agents, bonds registrars, bond and escrow trustees,
10 arbitrage rebate, and all other costs, including administrative costs, both direct and
11 indirect;

12 (5) "reserve fund" means the Alaska Pension Obligation Bond
13 Corporation reserve fund established in AS 37.16.040.

14 * **Sec. 10.** AS 39.35.100(b)(3) is amended to read:

15 (3) A separate account for each employer shall be maintained. The
16 account shall be credited with contributions **made by or on behalf** of the employer.
17 **Except as provided in AS 39.35.270(d), this** [THIS] account shall be charged with
18 the employer's actuarial charge for pension, death benefits, and other benefits paid
19 under this plan to or on behalf of the employee of the employer. **Except as provided**
20 **in AS 39.35.270(d), after** [AFTER] an allowance for interest credited to employee
21 contribution accounts and employee savings accounts, the investment income of the
22 pension fund shall be allocated to the retirement reserve account and to each employer
23 asset share account according to the ratio that the average of the assets in the account
24 as of the beginning and as of the end of the fiscal year bears to the total of the average
25 balance of the retirement reserve account and all employer accounts.

26 * **Sec. 11.** AS 39.35.100(b)(4) is amended to read:

27 (4) An expense account shall be maintained for the plan. **Except as**
28 **provided in AS 39.35.270(d), this** [THIS] account shall be charged with all
29 disbursements representing administrative expenses incurred by the plan. At the end of
30 the year, the expense account shall be allocated to each employer in accordance with
31 (3) of this subsection. Expenditures from this account shall be included in the

1 governor's budget for each fiscal year and are subject to approval by the legislature.

2 * **Sec. 12.** AS 39.35.270 is amended by adding new subsections to read:

3 (d) All or a portion of the employer's share of any accrued actuarial liability to
 4 the plan may be prepaid in a lump sum. The commissioner may, by regulation,
 5 establish a minimum amount for the lump sum payment of a portion. The
 6 commissioner shall charge to the employer appropriate and reasonable costs to the
 7 plan attributable to a lump sum payment that are not greater than administrative costs
 8 applied to other employer contributions. If a lump sum payment is made, the payment
 9 shall be accounted for separately in accordance with regulations adopted by the
 10 commissioner. The regulations must provide for crediting to each lump sum payment
 11 account all earnings and losses received from investment of that payment. The lump
 12 sum payment shall be used solely to offset contributions under this section required of
 13 the employer that made the payment or on whose behalf the payment was made,
 14 taking into account earnings and losses from its investment. A lump sum payment
 15 made by or on behalf of an employer under this subsection, together with all earnings
 16 and losses from investment of that payment, may not be considered in calculating that
 17 employer's share of any discretionary payment authorized by the state that benefits
 18 multiple employers.

19 (e) If all or a portion of the employer's share of any accrued actuarial liability
 20 to the plan is prepaid in a lump sum under (d) of this section, the administrator shall
 21 calculate a revised employer contribution rate for that employer in recognition of that
 22 prepayment not more than 30 days following the prepayment.

23 * **Sec. 13.** AS 44.85.010 is amended to read:

24 **Sec. 44.85.010. Legislative policy.** (a) It is the policy of the state to

25 (1) [TO] foster and promote by all reasonable means the provision of
 26 adequate capital markets and facilities for borrowing money by municipalities in the
 27 state to finance capital improvements or for other authorized purposes, to assist these
 28 municipalities in fulfilling their capital needs and requirements by use of borrowed
 29 money within statutory interest rate or cost of borrowing limitations, to the greatest
 30 extent possible to reduce costs of borrowed money to taxpayers and residents of the
 31 state, and equally to encourage continued investor interest in the purchase of bonds or

1 notes of municipalities as sound and preferred securities for investment;

2 (2) [TO] encourage municipalities to continue their independent
3 undertakings and financing of capital improvements and other authorized purposes
4 and to assist them by making capital funds available at reduced interest costs for
5 orderly financing of capital improvements and other purposes especially during
6 periods of restricted credit or money supply, particularly for those municipalities not
7 otherwise able to borrow for capital needs;

8 (3) [TO] assist municipalities to provide for adequate insurance
9 coverage by authorizing the Alaska Municipal Bond Bank Authority to issue
10 negotiable or nonnegotiable revenue bonds, notes, or certificates of participation either
11 directly or through an entity it may create for the purpose of providing a self-insurance
12 program for municipalities or municipal joint insurance arrangements organized under
13 AS 21.76;

14 **(4) assist governmental employers to prepay all or a portion of**
15 **their share of unfunded accrued actuarial liabilities of retirement systems in an**
16 **effort to reduce their costs of satisfying their contractual obligations to provide**
17 **retirement and other benefits to public employees through the issuance of bonds,**
18 **notes, commercial paper, or other obligations by the bond bank authority or by a**
19 **subsidiary corporation created by the bond bank authority under AS 44.85.085,**
20 **but only if the state bond rating is the equivalent of AA- or better; this assistance**
21 **is limited as provided in AS 37.15.903.**

22 (b) The legislature further declares that

23 (1) the exercise of the powers of the state in the interest of its
24 municipalities **and in the interest of public employees of the state and of its**
25 **municipalities** is required to further and implement the policies declared in (a) of this
26 section by authorizing the creation of a state bond bank authority as a body corporate
27 and politic that will have full powers to borrow money and to issue its bonds and notes
28 to make capital funds available for borrowing by municipalities **and for borrowing**
29 **by or on behalf of governmental employers, by authorizing governmental**
30 **employers to contract with the bond bank authority or with a subsidiary created**
31 **under AS 44.85.085 for the purpose of reducing future costs of providing**

1 **retirement and other benefits to employees**, and by granting broad powers to the
 2 bond bank authority to carry out the declared policies, which are in the public interest
 3 of the state and its taxpayers and residents;

4 (2) state funds should be applied or authorized to be paid to a state
 5 bond bank authority only to provide adequate assurance and security to the holders of
 6 the bonds or notes of the bond bank authority;

7 (3) the bond bank authority should conduct its operations to provide
 8 the lowest rates in terms of borrowing to municipalities as is consistent with a self-
 9 supporting operation with no expectation of subsidization with state funds; the
 10 legislature does not intend that the bond bank authority be utilized as a means to
 11 finance municipalities beyond their capability to meet repayment schedules and debt
 12 service requirements of bonds or notes;

13 **(4) the bond bank authority or its subsidiary should conduct its**
 14 **operations to provide the lowest rates in terms of borrowing to governmental**
 15 **employers under AS 44.85.085 and 44.85.086 as is consistent with a self-**
 16 **supporting operation with no expectation of subsidization with state funds; the**
 17 **legislature does not intend that the bond bank authority or its subsidiary be**
 18 **utilized as a means to finance governmental employers under AS 44.85.085 and**
 19 **44.85.086 beyond their capability to meet repayment schedules and debt service**
 20 **requirements of bonds, notes, commercial paper, or other obligations to the bond**
 21 **bank authority or its subsidiary.**

22 * **Sec. 14.** AS 44.85.080 is amended to read:

23 **Sec. 44.85.080. Powers of bond bank authority.** The bond bank authority
 24 may

25 (1) sue and be sued;

26 (2) adopt and alter an official seal;

27 (3) make and enforce bylaws and regulations for the conduct of its
 28 business and for the use of its services and facilities;

29 (4) maintain an office at any place in the state;

30 (5) acquire, hold, use, and dispose of its income, revenue, funds, and
 31 money;

1 (6) acquire, rent, lease, hold, use, and dispose of other personal
2 property for its purposes;

3 (7) subject to AS 44.85.100(b), borrow money and issue its negotiable
4 bonds or notes and provide for and secure their payment, provide for the rights of their
5 holders, and purchase, hold, and dispose of any of its bonds or notes;

6 (8) fix and revise from time to time and charge and collect fees and
7 charges for the use of its services or facilities;

8 (9) accept gifts or grants from the United States, or from any
9 governmental unit or person, firm, or corporation, carry out the terms or provisions or
10 make agreements with respect to the gifts or grants, and do all things necessary,
11 useful, desirable, or convenient in connection with procuring, accepting, or disposing
12 of the gifts or grants;

13 (10) do anything authorized by this chapter, through its officers,
14 agents, or employees or by contracts with a person;

15 (11) make, enter into, and enforce all contracts necessary, convenient,
16 or desirable for the purposes of the bond bank authority or pertaining to a loan to a
17 political subdivision, a purchase or sale of municipal bonds or other investments, or
18 the performance of its duties and execution of any of its powers under this chapter;

19 (12) purchase or hold municipal bonds at prices and in a manner the
20 bond bank authority considers advisable, and sell municipal bonds acquired or held by
21 it at prices without relation to cost and in a manner the bond bank authority considers
22 advisable;

23 (13) invest funds or money of the bond bank authority not required at
24 the time of investment for loan to political subdivisions for the purchase of municipal
25 bonds, in the same manner as permitted for investment of funds belonging to the state,
26 except as otherwise provided in this chapter;

27 (14) prescribe the form of application or procedure required of a
28 political subdivision for a loan or purchase of its municipal bonds, fix the terms and
29 conditions of the loan or purchase, and enter into agreements with political
30 subdivisions with respect to loans or purchases;

31 (15) render services to a political subdivision in connection with a

1 public or private sale of its municipal bonds, including advisory and other services,
2 and charge for services rendered;

3 (16) charge for its costs and services in review or consideration of a
4 proposed loan to a political subdivision or purchase by the bond bank authority of
5 municipal bonds of the political subdivision, whether or not the loan is made or the
6 municipal bonds purchased;

7 (17) fix and establish terms and provisions with respect to a purchase
8 of municipal bonds by the bond bank authority, including date and maturities of the
9 bonds, provisions as to redemption or payment before maturity, and any other matters
10 **that** [WHICH] in connection with the purchase are necessary, desirable, or advisable
11 in the judgment of the bond bank authority;

12 (18) procure insurance against any losses in connection with its
13 property, operations, or assets in amounts and from insurers as it considers desirable;

14 (19) to the extent permitted under its contracts with the holders of
15 bonds or notes of the bond bank authority, consent to modification of the rate of
16 interest, time and payment of installment of principal or interest, security or any other
17 term of a bond or note, contract or agreement of any kind to which the bond bank
18 authority is a party;

19 (20) by regulation, create a new entity **or new entities** for the purpose
20 of issuing negotiable or nonnegotiable revenue bonds, notes, or certificates of
21 participation to finance a self-insurance program for municipalities or municipal joint
22 insurance arrangements organized under AS 21.76 **or to provide assistance to**
23 **governmental employers under AS 44.85.085(a)**; the powers, duties, and
24 membership of the new entity **or entities** shall be limited to the powers, duties, and
25 membership of the authority and stated in the regulation; the new entity **or entities**
26 shall **each** be a public corporation and an instrumentality of the state with the same
27 legal existence and continuing succession as the bond bank authority; and

28 (21) do all acts and things necessary, convenient, or desirable to carry
29 out the powers expressly granted or necessarily implied in this chapter.

30 * **Sec. 15.** AS 44.85 is amended by adding new sections to read:

31 **Sec. 44.85.085. Creation of subsidiary corporation.** (a) The bond bank

1 authority may create one or more subsidiary corporations for the following purposes:

2 (1) providing financial and other assistance to governmental employers
3 to enable the governmental employers to reduce their costs of providing retirement
4 and other benefits to their employees by prepaying all or a portion of their shares of
5 the unfunded accrued actuarial liabilities of retirement systems;

6 (2) receiving payments and providing servicing for payments to or
7 from participating governmental employers; and

8 (3) performing other duties and providing other services as the
9 subsidiary corporation considers necessary or desirable to further the purposes set out
10 in (1) and (2) of this subsection.

11 (b) The bond bank authority may incorporate under AS 10.20.146 - 10.20.166
12 a subsidiary corporation created under (a) of this section. The bond bank authority
13 may transfer assets of the bond bank authority to the subsidiary corporation and may
14 agree to secure bonds, notes, commercial paper, or other obligations of the subsidiary
15 corporation with a reserve fund established under AS 44.85.270.

16 (c) A subsidiary corporation created under (a) of this section may, if the state
17 bond rating is the equivalent of AA- or better, and subject to AS 37.15.903, borrow
18 money and issue bonds, notes, commercial paper, or other obligations as evidence of
19 that borrowing and may have all the powers of the bond bank authority that the bond
20 bank authority grants to it. The provisions of AS 44.85.130 - 44.85.170 and 44.85.270
21 - 44.85.390 apply to the subsidiary corporation and to bonds, notes, commercial paper,
22 or other obligations issued by the subsidiary corporation. Unless otherwise provided
23 by the bond bank authority, the debts, liabilities, and obligations of the subsidiary
24 corporation are not the debts, liabilities, or obligations of the bond bank authority.

25 (d) The staff of the bond bank authority serves as staff of a subsidiary
26 corporation created under (a) of this section. The bond bank authority shall determine
27 the membership or the process for selecting the membership of the board of directors
28 of the subsidiary corporation. The bond bank authority may permit some or all of its
29 directors to serve on the board of directors of the subsidiary corporation.

30 **Sec. 44.85.086. Powers of subsidiary corporation.** A subsidiary corporation
31 created under AS 44.85.085 has the following powers in addition those granted to it

1 under AS 44.85.085(c):

2 (1) to make loans to and enter into contracts with governmental
3 employers;

4 (2) to incur debt, subject to AS 37.15.903, in furtherance of its
5 purposes, in the form of bonds, notes, commercial paper, or other obligations as the
6 subsidiary corporation considers appropriate, but only if the state bond rating is the
7 equivalent of AA- or better;

8 (3) to secure its debt with a pledge of any assets that are available to
9 the subsidiary corporation for the purpose, including identified revenue and
10 contractual payments from participating governmental employers, and the general
11 assets and revenue of the subsidiary corporation; and

12 (4) to enter into contracts with underwriters, bond counsel, financial
13 advisors, accountants, actuaries, and other contractors to provide assistance as the
14 subsidiary corporation considers desirable to accomplish its purposes.

15 * **Sec. 16.** AS 44.85.100(b) is amended to read:

16 (b) The bond bank authority shall include in the report required by (a) of this
17 section an estimate of the amount of revenue bonds of the bond bank authority to be
18 issued during the fiscal year following the fiscal year in which the report is submitted.

19 **Other than refunding bonds and other than bonds, notes, commercial paper, or**
20 **other obligations issued under AS 44.85.086 and 44.85.180(a)(5), the** [THE] bond
21 bank authority may not issue revenue bonds [, OTHER THAN REFUNDING
22 BONDS,] in excess of \$75,000,000 during any fiscal year beginning after June 30,
23 1981, unless the legislature, by law, approves the estimate required by this subsection
24 for that fiscal year.

25 * **Sec. 17.** AS 44.85.180(a) is amended to read:

26 (a) Subject to AS 44.85.100(b), the bond bank authority may issue its bonds or
27 notes in principal amounts that it considers necessary to provide funds for any
28 purposes under this chapter, including

29 (1) the purchase of municipal bonds;

30 (2) the making of loans through the purchase of municipal bonds,
31 notes, or certificates of participation secured by an agreement between the bond bank

1 authority and a municipality or a municipal joint insurance arrangement organized
2 under AS 21.76;

3 (3) the payment, funding, or refunding of the principal of, or interest or
4 redemption premiums on, bonds or notes issued by it whether the bonds or notes or
5 interest to be funded or refunded have or have not become due;

6 (4) the establishment or increase of reserves to secure or to pay bonds
7 or notes or interest on bonds or notes and all other costs or expenses of the bond bank
8 authority incident to and necessary or convenient to carry out its corporate purposes
9 and powers;

10 **(5) assisting governmental employers to prepay all or a portion of**
11 **their share of the unfunded accrued actuarial liabilities of retirement systems,**
12 **with security as the bond bank authority considers reasonable; however, to carry**
13 **out this paragraph, bonds and other obligations may only be issued if the state**
14 **bond rating is the equivalent of AA- or better; bonds issued under this paragraph**
15 **are subject to AS 37.15.903.**

16 * **Sec. 18.** AS 44.85.180(c) is amended to read:

17 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
18 amount of bond bank authority bonds and notes outstanding at any one time [,
19 EXCEPT BONDS OR NOTES ISSUED TO FUND OR REFUND BONDS OR
20 NOTES,] may not exceed \$750,000,000. **This subsection does not apply to**

21 **(1) bonds or notes issued to fund or refund bonds or notes;**

22 **(2) bonds, notes, commercial paper, and other obligations issued**
23 **under AS 44.85.086 or 44.85.180(a)(5).**

24 * **Sec. 19.** AS 44.85.410 is amended by adding a new paragraph to read:

25 (8) "governmental employer" means the State of Alaska or a
26 municipality or other state or municipal governmental entity within the state, including
27 an agency, instrumentality, district, school district, public corporation, department,
28 division, or other subdivision of the state or of a municipality, in its capacity as an
29 employer.

30 * **Sec. 20.** This Act takes effect immediately under AS 01.10.070(c).