

1 IN THE HOUSE BY THE COMMERCE COMMITTEE

2 HOUSE BILL NO. 440

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRD LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to investments of money  
7 over which the state has control; and pro-  
8 viding for an effective date."

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

10 \* Section 1. AS 14.25.180(b) is repealed and re-enacted to  
11 read:

12 (b) When, in the opinion of the commissioner of admin-  
13 istration, there is on hand in the retirement fund a surplus  
14 over and above a reasonably safe amount to take care of  
15 current demands upon the fund, the surplus or so much of it  
16 as in the judgment of the commissioner of administration is  
17 proper may be invested by the commissioner of revenue. The  
18 state shall appropriate to the retirement fund sufficient  
19 money from the general fund to make good any losses as a  
20 result of defaults on obligations to pay debts to the retire-  
21 ment fund incurred by accepting an investment. The commis-  
22 sioner of revenue may

23 (1) invest the surplus in bonds or other interest-  
24 bearing obligations and securities of the United States, an  
25 agency of the United States, a state, an agency or public  
26 corporation of a state, or a political subdivision of a  
27 state, if the political subdivision has a population as shown  
28 by the last federal census preceding the investment of not  
29 less than 30,000 inhabitants, except no population limitation

1 applies to a political subdivision of this state;

2 (2) deposit the surplus in state and national  
3 banks in Alaska and in mutual savings banks in Alaska;

4 (3) invest the surplus in first lien mortgage  
5 securities (A) insured by the Federal Housing Administration  
6 under the National Housing Act of the United States, (B)  
7 held by the Department of Natural Resources under AS 03.10,  
8 or (C) held by the division of veterans' affairs under  
9 AS 26.15;

10 (4) invest the surplus in corporation bonds and  
11 preferred and common stocks the commissioner of revenue con-  
12 siderers proper investments for the fund;

13 (5) from the surplus, lend money and purchase  
14 evidences of indebtedness to be used to construct, repair,  
15 and operate businesses and industries in Alaska and to con-  
16 struct and repair dwellings in Alaska.

17 \* Sec. 2. AS 14.25.180(c) is amended to read:

18 (c) In making investments the commissioner of revenue  
19 shall exercise the judgment and care under the circumstances  
20 then prevailing which men of ordinary prudence, discretion,  
21 and intelligence exercise in the management of their own  
22 affairs not in regard to speculation but in regard to the  
23 permanent disposition of their funds, considering the  
24 probable income therefrom as well as the probable safety of  
25 their capital. [HOWEVER, NOT MORE THAN 50 PER CENT OF THE  
26 RETIREMENT FUND MAY BE INVESTED AT ANY GIVEN TIME IN CORPOR-  
27 ATE STOCKS AND BONDS, NOR MAY MORE THAN ONE PER CENT OF THE  
28 RETIREMENT FUND BE INVESTED IN SECURITIES ISSUED BY ONE  
29 CORPORATION, NOR MAY MORE THAN FIVE PER CENT OF THE VOTING

1 STOCK OF ANY CORPORATION BE OWNED. STOCKS ELIGIBLE FOR  
2 PURCHASE ARE RESTRICTED TO STOCKS WHICH, EXCEPT FOR BANK  
3 STOCKS AND INSURANCE STOCKS, ARE LISTED UPON AN EXCHANGE  
4 REGISTERED WITH THE FEDERAL SECURITIES AND EXCHANGE COMMIS-  
5 SION.]

6 \* Sec. 3. AS 14.25 is amended by adding a new section to read:

7 Sec. 14.25.152. WITHDRAWAL FROM THE SYSTEM. A teacher  
8 who is dissatisfied with state policies relating to the  
9 investment of surplus money in the retirement fund may with-  
10 draw the money he has contributed to the retirement fund,  
11 plus any interest that has accrued on his contributions, and  
12 sever his connection with the system. After a teacher has  
13 severed his connection with the system under this section,  
14 he owes no further contributions to the system, no contribu-  
15 tions may be withheld from his salary, nor is he entitled to  
16 any benefits under the system. The state shall make annual  
17 contributions to the retirement fund in the amount that the  
18 retirement fund would have received from the teacher, his  
19 employer, and the state had he not severed his connection  
20 with the system, for so long as the teacher would have made  
21 contributions to the retirement fund had he not severed his  
22 connection with the system.

23 \* Sec. 4. AS 39.35.110(a) is repealed and re-enacted to read:

24 (a) When, in the opinion of the commissioner of admin-  
25 istration, there is on hand in the pension fund a surplus  
26 over and above a reasonably safe amount to take care of  
27 current demands upon the fund, the surplus or so much of it  
28 as in the judgment of the commissioner of administration is  
29 proper may be invested by the commissioner of revenue. The

1 state shall appropriate to the retirement fund sufficient  
2 money from the general fund to make good any losses as a  
3 result of defaults on obligations to pay debts to the pension  
4 fund incurred by accepting an investment. The commissioner  
5 of revenue may

6 (1) invest the surplus in bonds or other interest-  
7 bearing obligations and securities of the United States, an  
8 agency of the United States, a state, an agency or public  
9 corporation of a state, or a political subdivision of a  
10 state, if the political subdivision has a population as shown  
11 by the last federal census preceding the investment of not  
12 less than 30,000 inhabitants, except no population limitation  
13 applies to a political subdivision of this state;

14 (2) deposit the surplus in state and national  
15 banks in Alaska and in mutual savings banks in Alaska;

16 (3) invest the surplus in first lien mortgage  
17 securities (A) insured by the Federal Housing Administration  
18 under the National Housing Act of the United States, (B)  
19 held by the Department of Natural Resources under AS 03.10,  
20 or (C) held by the division of veterans' affairs under  
21 AS 26.15;

22 (4) invest the surplus in corporation bonds and  
23 preferred and common stocks the commissioner of revenue con-  
24 sidered proper investments for the fund;

25 (5) from the surplus, lend money and purchase  
26 evidences of indebtedness to be used to construct, repair,  
27 and operate businesses and industries in Alaska and to con-  
28 struct and repair dwellings in Alaska.

29 \* Sec. 5. AS 39.35.110(d) is amended to read:

1 (d) In making investments the commissioner of revenue  
2 shall exercise the judgment and care under the circumstances  
3 then prevailing which a man of ordinary prudence, discretion,  
4 and intelligence exercises in the management of his own  
5 affairs not in regard to speculation but in regard to the  
6 permanent disposition of his funds, considering the probable  
7 income from them as well as the probable safety of his  
8 capital. [HOWEVER, NO MORE THAN 50 PER CENT OF THE PENSION  
9 FUND MAY BE INVESTED AT A GIVEN TIME IN CORPORATE STOCKS AND  
10 BONDS, NOR MAY MORE THAN ONE PER CENT OF THE PENSION FUND BE  
11 INVESTED IN SECURITIES ISSUED BY ONE CORPORATION, NOR ANY  
12 MORE THAN FIVE PER CENT OF THE VOTING STOCK OF ONE CORPORATION  
13 BE OWNED. STOCKS ELIGIBLE FOR PURCHASE ARE RESTRICTED TO  
14 STOCKS WHICH, EXCEPT FOR BANK STOCKS AND INSURANCE STOCKS,  
15 ARE LISTED UPON AN EXCHANGE REGISTERED WITH THE FEDERAL  
16 SECURITIES AND EXCHANGE COMMISSION.]

17 \* Sec. 6. AS 39.35 is amended by adding a new section to read:

18 Sec. 39.35.172. EXCEPTION TO MANDATORY CONTRIBUTION.  
19 An employee who is dissatisfied with state policies relating  
20 to the investment of surplus money in the pension fund may  
21 withdraw the money he has contributed to the pension fund,  
22 plus any interest that has accrued on his contributions, and  
23 sever his connection with the system. After an employee has  
24 severed his connection with the system under this section, he  
25 owes no further contributions to the system, no contributions  
26 may be withheld from his salary, nor is he entitled to any  
27 benefits under the system. The state shall make annual con-  
28 tributions to the pension fund in the amount that the pension  
29 fund would have received from the employee, his employer, and

1 the state had he not severed his connection with the system,  
2 for so long as the employee would have made contributions to  
3 the pension fund had he not severed his connection with the  
4 system.

5 \* Sec. 7. AS 43.05.150(b) is amended to read:

6 (b) The department may require a bank in which it has  
7 deposited or intends to deposit state funds to [BEFORE THE  
8 DEPARTMENT MAY DEPOSIT STATE FUNDS IN A BANK, THE BANK SHALL]

9 (1) deposit with the department as collateral  
10 security to secure the funds, bonds or other securities which  
11 are eligible to secure deposits of the United States, the  
12 aggregate market value of which is at all times at least  
13 equal to the funds deposited;

14 (2) deposit other good bonds whose aggregate  
15 market value is at all times at least 20 per cent more than  
16 the deposits secured, and mortgages insured by the United  
17 States under the National Housing Act (approved June 27, 1934);

18 (3) furnish evidence satisfactory to the depart-  
19 ment that the required collateral security has been deposited  
20 with a Federal Reserve Bank or with a branch of a Federal  
21 Reserve Bank or with a qualified bank or trust company; or

22 (4) enter into a bond to the state with a surety  
23 company authorized as such to transact business in Alaska as  
24 surety on the bond, conditioned that it will safely keep and  
25 pay on demand to the department as required by it all funds  
26 of the state deposited with the bank.

27 \* Sec. 8. AS 39.35.110(b) and (c) are repealed.

28 \* Sec. 9. This Act takes effect on the day after its passage  
29 and approval or on the day it becomes law without such approval.