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1 IN THE SENATE

2 SENATE BILL NO. 108

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRD LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act pertaining to investments which
7 may be made by the Public Employees
8 Retirement System and the Teacher's
9 Retirement Fund; and providing for an
10 effective date."

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

12 * Section 1. AS 03.10 is amended by adding a new section to
13 read:

14 Sec. 03.10.054. SALE OR TRANSFER OF MORTGAGES AND
15 NOTES. The commissioner may sell or transfer at par value
16 or at a premium or discount to the Department of Revenue
17 or any bank or other private purchaser for cash or other
18 consideration, the mortgages and notes held by the Depart-
19 ment of Natural Resources as security for loans made under
20 this chapter.

21 * Sec. 2. AS 39.35.110 is amended to read:

22 Sec. 39.35.110. INVESTMENTS. (a) When, in the
23 opinion of the commissioner of administration, there is on
24 hand in the pension fund a surplus over and above a reason-
25 ably safe amount to take care of current demands upon the
26 fund, the surplus, or so much of it as in the judgment of
27 the commissioner of administration is deemed proper, may be
28 invested by the commissioner of revenue in

29 (1) bonds or other interest bearing obligations

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1 and securities of the (A) United States, (B) a state of the
2 United States, or (C) a political subdivision of a state of
3 the United States, if the political subdivision has a popu-
4 lation as shown by the last federal census preceding the in-
5 vestment of not less than 30,000 inhabitants; with respect
6 to political subdivisions of this state, no population
7 limitation applies;

8 (2) first lien real estate mortgage securities
9 insured by the Federal Housing Administration under the
10 National Housing Act of the United States or held by the
11 division of veterans' affairs under AS 26.15; [AND]

12 (3) first lien real estate mortgage securities
13 held by the Department of Natural Resources under AS 03.10;
14 and

15 (4) [3] corporation bonds and preferred and com-
16 mon stocks as the commissioner of revenue considers proper
17 investments for the fund.

18 (b) No more than 15 per cent of the surplus may be in-
19 vested in the mortgage securities of the division of veterans'
20 affairs, and the state shall appropriate enough money from
21 the general fund to make good any losses as a result of fail-
22 ure of the obligors [OBLIGEES] to pay on the notes.

23 (c) No more than ten per cent of the surplus may be
24 invested in the mortgage securities of the Department of
25 Natural Resources, and the state shall appropriate enough
26 money from the general fund to make good any losses as a
27 result of failure of the obligors to pay on the notes.

28 (d) [C] In making investments the commissioner of
29 revenue shall exercise the judgment and care under the cir-

1 cumstances then prevailing which a man of ordinary prudence,
2 discretion, and intelligence exercises in the management of
3 his own affairs not in regard to speculation but in regard to
4 the permanent disposition of his funds, considering the
5 probable income from them as well as the probable safety of
6 his capital. However, not more than 50 per cent of the
7 pension fund may be invested at a given time in corporate
8 stocks and bonds, nor may more than one per cent of the
9 pension fund be invested in securities issued by one corpor-
10 ation, nor any more than five per cent of the voting stock
11 of one corporation be owned. Stocks eligible for purchase
12 are restricted to stocks which, except for bank stocks and
13 insurance stocks, are listed upon an exchange registered
14 with the Federal Securities and Exchange Commission.

15 (e) [D] Except as provided in this section, the com-
16 missioner of revenue may:

17 (1) invest and reinvest the principal and income
18 of the pension fund without distinction between principal
19 and income;

20 (2) sell, exchange, convey, transfer, or other-
21 wise dispose of an investment of the pension fund held in
22 the name of the system by private contract or at public
23 auction;

24 (3) vote upon a stock, bond, or other security;
25 give a general or special proxy or power of attorney with
26 or without power of substitution; exercise a conversion
27 privilege, subscription right or other option and make
28 payments incidental to it; consent to or participate in a
29 corporate reorganization or other change affecting corporate

1 securities, delegate discretionary power, pay an assessment
2 or charge in connection with the delegation; and generally
3 exercise any of the powers of an owner with respect to
4 stocks, bonds, securities, or other investments held in the
5 pension fund;

6 (4) make, execute, acknowledge, and deliver docu-
7 ments of transfer and conveyance and instruments necessary or
8 appropriate to carry out the powers granted;

9 (5) register investments held in the pension fund
10 in the name of the system; and

11 (6) do all acts whether or not expressly author-
12 ized which are considered necessary or proper for the pro-
13 tection of the investments held in the pension fund.

14 * Sec. 3. AS 14.25.180(b) is amended to read:

15 (b) When, in the opinion of the commissioner of ad-
16 ministration, there is on hand in the retirement fund a
17 surplus over and above a reasonably safe amount to take care
18 of current demands upon the fund, the surplus or so much of
19 it as in the judgment of the commissioner of administration
20 is considered proper may be invested by the commissioner of
21 revenue in

22 (1) bonds or other interest-bearing obligations
23 and securities of the United States, a state thereof, or a
24 political subdivision of any state of the United States, if
25 the political subdivision has a population as shown by the
26 last federal census preceding the investment of not less
27 than 30,000 inhabitants, except no population limitation
28 applies to a political subdivision of this state;

29 (2) first lien real estate mortgage securities

1 insured by the Federal Housing Administration under the
2 National Housing Act of the United States, or held by the
3 Department of Commerce, or the Department of Natural
4 Resources; and

5 (3) corporation bonds, and preferred and common
6 stocks as the commissioner of revenue considers proper in-
7 vestments for the fund. Not more than 15 per cent of the
8 surplus may be invested in mortgage securities of the De-
9 partment of Commerce, and the state shall appropriate suffi-
10 cient money from the general fund to make good any losses as
11 a result of failure of the obligors [OBLIGEES] to pay on the
12 notes. Not more than ten per cent of the surplus may be
13 invested in the mortgage securities of the Department of
14 Natural Resources, and the state shall appropriate suffi-
15 cient money from the general fund to make good any losses
16 as a result of failure of the obligors to pay on the notes.

17 * Sec. 4. This Act takes effect on the day after its passage
18 and approval or on the day it becomes law without such approval.
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