

Introduced: 1/26/70  
Referred: Special Committee on Investment and Monetary Policies

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Resources Permanent  
7 Fund and providing for its administration; and  
8 providing for an effective date."

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

10 \* Section 1. AS 37.10 is amended by adding new sections to read:

11 ARTICLE 5. ALASKA RESOURCES PERMANENT FUND.

12 Sec. 37.10.200. PURPOSE. The purpose of this Act is to provide  
13 a method by which funds surplus to current and foreseeable needs may  
14 be invested to appreciate as a source of future state revenues.

15 Sec. 37.10.210. ALASKA RESOURCES PERMANENT FUND. There is  
16 created a permanent fund known as the Alaska Resources Permanent Fund  
17 to which appropriations may be made from time to time.

18 Sec. 37.10.220. INVESTMENT POLICY. The treasurer shall invest  
19 the fund with the objective of maximum long term total return.

20 Sec. 37.10.230. MANAGEMENT STANDARDS. The treasurer, in  
21 managing the fund, shall exercise the judgment and care under the  
22 circumstances then prevailing which men of ordinary prudence,  
23 discretion, intelligence, and experience exercise in the management  
24 of their own affairs not in regard to speculation but in regard to  
25 the permanent disposition of their funds, considering probable income  
26 as well as the probable growth and safety of their capital.

27 Sec. 37.10.240. POWERS. The powers of the state with respect to  
28 the investments are all of the powers which a natural person has in  
29 dealing with his own property including but not limited to the power

2 to invest, reinvest, purchase and purchase at a premium, sell and  
3 sell at less than cost, exchange, convey, transfer, lease, lease  
4 back and otherwise dispose, register securities, vote securities,  
5 give proxies, exercise conversion privileges, subscription rights  
6 and other options, consent or otherwise participate in corporate  
7 reorganization or other changes affecting corporate securities, pay  
8 assessments or charges, enforce and compromise claims, make, execute,  
9 acknowledge and deliver documents of transfer, conveyances and other  
instruments necessary or appropriate to carry out such powers.

10 Sec. 37.10.250. FUNCTIONS OF THE TREASURER. The treasurer  
11 shall:

12 (1) Act as custodian of the investments and provide for  
13 their safe keeping;

14 (2) Collect the interest, dividends, rents, and other  
15 income of the fund and collect principal and the proceeds of the  
16 sale of investments;

17 (3) Manage the fund, and in so doing exercise the state's  
18 powers respecting the investments;

19 (4) Maintain adequate accounts and records;

20 (5) Prepare and submit a monthly report to the governor  
21 and the state investment advisory committee disclosing a detailed  
22 summary of investments purchased, sold, exchanged, conveyed, trans-  
23 ferred, leased, and otherwise acquired or disposed of, and stating  
24 the investments acquired or disposed of, dates of transactions, the  
25 prices paid and received, any gain or loss, and the names of the  
26 brokers, dealers, or contractors who engaged in the transactions;

27 (6) Cause an annual audit of the fund by a licensed  
28 certified public accountant who is not an employee of the state and  
29 submit the auditor's report to the governor and to the state investment

1 advisory committee;

2 (7) Cause an annual examination of the fund by a qualified  
3 fund evaluator. The evaluator's report shall include an evaluation  
4 of current investment practices and of specific investments of the  
5 fund in light of the investment objective and management standards  
6 of the fund. The report shall be submitted to the governor, the  
7 state investment advisory committee, and the legislature.

8 Sec. 37.10.260. CONTRACTS. (a) The treasurer may contract  
9 with one or more qualified persons in the state or elsewhere

10 (1) to perform the functions specified in sec. 250 of this  
11 chapter; except that when the function specified in sec. 250(3) of  
12 this section are contracted no fewer than three fund managers shall  
13 be engaged;

14 (2) to provide the commissioner with advice and other  
15 services;

16 (b) Contracts may provide for reasonable compensation and  
17 reimbursement of expenses.

18 Sec. 37.10.270. ANNUAL DETERMINATION OF MARKET VALUE. At the  
19 end of each fiscal year, after deducting from the fund for the purpose  
20 of computation the expenses of administration of that year, the  
21 treasurer shall determine the market value of the fund.

22 Sec. 37.10.280. WITHDRAWALS. (a) Expenses of administration  
23 shall be paid out of the fund.

24 (b) Sixty days after the end of each fiscal year an amount,  
25 whether or not provided by income and capital appreciation, shall be  
26 withdrawn from the fund and transferred to the general fund. The  
27 amount shall be in cash or securities at market value as of that  
28 date, or both, and shall be calculated in the following manner:

29 (1) with respect to the first fiscal year, the amount

1 shall be equal and limited to five per cent of the determined market  
2 value of the fund at the end of that year;

3 (2) with respect to the second fiscal year, the amount  
4 shall be equal and limited to five per cent of the mean average of  
5 the determined market value of the fund at the end of that year and  
6 the determined market value of the fund at the end of the first year;

7 (3) for the third fiscal year and for each succeeding  
8 fiscal year, the amount shall be equal and limited to five per cent  
9 of the mean average of the determined market value of the fund at  
10 the end of the two preceding years.

11 Sec. 37.10.290. TRANSFER TO FUND. Upon the effective date of  
12 an act appropriating to the fund, the amount appropriated shall be  
13 transferred to the fund in cash, or securities at market value as  
14 of that date, or both.

15 ARTICLE 2. STATE INVESTMENT ADVISORY COMMITTEE.

16 Sec. 37.10.300. STATE INVESTMENT ADVISORY COMMITTEE. There is,  
17 within the Department of the Treasury, the State Investment Advisory  
18 Committee comprised of the treasurer, who shall serve as chairman,  
19 the commissioner of administration, the commissioner of commerce, the  
20 commissioner of economic development, the commissioner of revenue,  
21 the president of the Senate, the speaker of the House of  
22 Representatives, and two members of the public appointed by the  
23 governor to serve at his pleasure.

24 Sec. 37.10.310. FUNCTION. The committee shall advise the  
25 treasurer with respect to the administration of the Alaska Resources  
26 Permanent Fund.

27 Sec. 37.10.320. QUORUM. Five members of the committee con-  
28 stitute a quorum for the conduct of business at a meeting.

29 Sec. 37.10.330. EXPENSES. The two members from the public

1 receive no pay but are entitled to the travel expenses and per diem  
2 authorized for members of boards and commissions.

3 Sec. 37.10.340. DEFINITIONS. As used in this chapter

4 (1) "treasurer" means the principal executive officer of  
5 the Department of the Treasury;

6 (2) "expenses of administration" means the amount incurred  
7 during the fiscal year in accordance with contracts for managerial,  
8 advisory, legal, appraisal, accounting, auditing, performance  
9 evaluations, custodial, execution of transactions, brokerage, and  
10 other services;

11 (3) "fiscal year" means the fiscal year of the fund, which  
12 is the period July 1 to June 30;

13 (4) "fund" means the Alaska Resources Permanent Fund and  
14 includes income and capital appreciation;

15 (5) "investments" means the property of the fund and  
16 includes cash;

17 (6) "manage", with respect to the fund, includes but is  
18 not limited to selection of classes of investments, selection of  
19 investments from within those classes, and the acquisition, retention,  
20 disposition, and exchange of investments;

21 (7) "maximum total long term return" means an investment  
22 policy which has as its central objective growth of capital over the  
23 long term;

24 (8) "permanent" when applied to the fund means that it  
25 shall have perpetual existence, not be subject to invasion or  
26 diversion, and be kept intact except for withdrawals as provided in  
27 sec. 280 of this chapter;

28 (9) "committee or advisory committee" means state  
29 investment advisory committee.

\* Sec. 2. This Act takes effect July 1, 1970.

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