

Original sponsor: Rules Committee by request of the Governor

Offered: 3/10/70  
Referred: Rules

BY THE RULES COMMITTEE  
BY REQUEST OF THE SPECIAL  
COMMITTEE ON INVESTMENT  
AND MONETARY POLICIES

1 IN THE SENATE

2 CS FOR 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 providing for an effective date."  
8

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

10 \* Section 1. AS 37 is amended by adding a new chapter to read:

11 CHAPTER 12. ALASKA RESOURCES PERMANENT FUND.

12 Sec. 37.12.010. PURPOSE. The purpose of secs. 10 - 180 of this  
13 chapter is to provide a method by which funds surplus to current and  
14 foreseeable needs may be invested to appreciate as a source of future  
15 state revenues.

16 Sec. 37.12.020. ALASKA RESOURCES PERMANENT FUND. There is  
17 created a permanent fund known as the Alaska resources permanent fund  
18 to which appropriations may be made from time to time.

19 Sec. 37.12.030. ALASKA FUND INVESTMENT COMMITTEE. There is  
20 established the Alaska Fund Investment Committee composed of the  
21 commissioners of commerce and revenue, the president of the senate and  
22 another senator appointed by the president from the opposite political  
23 party, the speaker of the house and another representative appointed  
24 by the speaker from the opposite political party, three members of the  
25 public, not more than two of whom are of the same political party,  
26 knowledgeable and experienced in banking, accounting or investing,  
27 appointed by the governor. The three public members of the committee  
28 who are appointed must be confirmed by the legislature in joint session.  
29 The committee shall, at its first meeting, select a chairman and vice

1 chairman.

2 Sec. 37.12.040. TERMS OF MEMBERS APPOINTED FROM THE PUBLIC AND  
3 THEIR REMOVAL. (a) Appointed public members of the committee are  
4 appointed for six-year terms. However, the first three appointments  
5 shall be for two, four and six years respectively.

6 (b) Appointed public members of the committee, unless removed,  
7 serve until their successors are appointed and have qualified.

8 (c) An appointed public member of the committee may be removed  
9 from office by the governor, for cause, after notice and opportunity to  
10 be heard at a public hearing. A vacancy in the membership of the  
11 appointed public members of the committee occurring other than by expira-  
12 tion of a term shall be filled by the governor for the unexpired term  
13 only.

14 Sec. 37.12.050. INVESTMENT POLICY. The committee shall invest  
15 the fund with primary emphasis on long-term total return.

16 Sec. 37.12.060. MANAGEMENT STANDARDS. The committee, in managing  
17 the fund, shall exercise the judgment and care under the circumstances  
18 then prevailing which men of ordinary prudence, discretion, intelligence,  
19 and experience exercise in the management of their own affairs not in  
20 regard to speculation but in regard to the permanent disposition of  
21 their funds, considering probable income, probable appreciation, and  
22 safety of their capital.

23 Sec. 37.12.070. POWERS. The powers of the state with respect to  
24 the investments are all of the powers which a natural person has in  
25 dealing with his own property including but not limited to the power  
26 to invest, reinvest, purchase and purchase at a premium, sell and  
27 sell at less than cost, exchange, convey, transfer, lease, lease back  
28 and otherwise dispose, register securities, vote securities, give  
29 proxies, exercise conversion privileges, subscription rights and other

1 options, consent or otherwise participate in corporate reorganization  
2 or other changes affecting corporate securities, pay assessments or  
3 charges, enforce and compromise claims, make, execute, acknowledge and  
4 deliver documents of transfer, conveyances and other instruments  
5 necessary or appropriate to carry out such powers.

6 Sec. 37.12.080. FUNCTIONS OF THE COMMITTEE. The committee shall

7 (1) act as custodian of the investments and provide for  
8 their safekeeping;

9 (2) collect the interest, dividends, rents, and other  
10 income of the fund and collect principal and the proceeds of the sale  
11 of investments;

12 (3) manage the fund, and in so doing exercise the state's  
13 powers respecting the investments;

14 (4) maintain adequate accounts and records;

15 (5) prepare and submit a monthly report to the governor  
16 disclosing a detailed summary of investments purchased, sold, exchanged,  
17 conveyed, transferred, leased, and otherwise acquired or disposed of,  
18 and stating the investments acquired or disposed of, dates of trans-  
19 actions, the prices paid and received, any gain or loss, and the names  
20 of the brokers, dealers, or contractors who engaged in the transactions;

21 (6) cause an annual audit of the fund by a licensed certified  
22 public accountant who is not an employee of the state and submit the  
23 auditor's report to the governor.

24 Sec. 37.12.090. CONFLICT OF INTEREST AND PUBLIC DISCLOSURE. (a)  
25 Any member of the committee who is an employee or officer of, or who  
26 contracts with, or obtains a direct or indirect interest in any corpora-  
27 tion or other entity in which an investment is made from the fund  
28 shall disclose publicly the existence of such employment, office,  
29 contract or interest upon the acquisition of it.

1 (b) At least quarterly, each member shall file reports with the  
2 committee, to be maintained in the office of the director, as public  
3 documents, of all securities transactions in which he has engaged  
4 during the preceding 90 days.

5 (c) No member shall vote upon any question the outcome of which  
6 would affect substantially the value of any interest.

7 Sec. 37.12.100. QUORUM. Five members of the committee constitute  
8 a quorum for the conduct of business at a meeting.

9 Sec. 37.12.110. EXPENSES. The three members from the public  
10 receive no pay but are entitled to the travel expenses and per diem  
11 authorized for members of boards and commissions.

12 Sec. 37.12.120. EXECUTIVE DIRECTOR. (a) The committee shall  
13 employ an executive director who shall assist the committee with  
14 respect to the administration of the fund.

15 (b) The director is an ex officio, nonvoting member of the  
16 committee.

17 Sec. 37.12.130. CONTRACTS. (a) The committee may contract with  
18 one or more qualified persons in the state or elsewhere

19 (1) to perform the functions specified in sec. 80(1) - (3)  
20 of this chapter; except that when contracts are made with respect to  
21 the function specified in sec. 80(3) of this chapter, three or more  
22 fund managers shall be engaged and separate portions of the fund shall  
23 be allocated to each of them;

24 (2) to provide the commission with advice and other services.

25 (b) Contracts may provide for reasonable compensation and reim-  
26 bursement of expenses.

27 Sec. 37.12.140. ANNUAL DETERMINATION OF MARKET VALUE AND REPORT.  
28 In addition to the monthly reports provided for in sec. 80(5) of this  
29 chapter, at the end of each fiscal year, after deducting from the fund

1 for the purpose of computation the expenses of administration of that  
2 year, the committee shall determine the market value, capital gains  
3 and losses and dividend income of the fund and submit a report of its  
4 findings to the governor and each legislature.

5 Sec. 37.12.150. REPORTS. Reports of the committee provided for  
6 by secs. 80(5) and 140 of this chapter are public 30 days after they  
7 are filed.

8 Sec. 37.12.160. WITHDRAWALS. (a) Expenses of administration  
9 shall be paid out of the fund.

10 (b) Sixty days after the end of each fiscal year, whether or not  
11 provided by income and capital appreciation, an amount in cash, or  
12 securities at market value as of the date of transfer, or both, equal  
13 and limited to five per cent of the mean average of the determined  
14 market value of the fund at the end of that fiscal year and the deter-  
15 mined market values of the fund at the ends of the two (necessarily,  
16 none and one, at the ends of the first and second fiscal years,  
17 respectively) preceding years shall be withdrawn from the fund and  
18 transferred to the general fund.

19 (c) There shall be no other withdrawals from the fund.

20 Sec. 37.12.170. TRANSFER TO FUND. Upon the effective date of  
21 an Act appropriating to the fund, the amount appropriated shall be  
22 transferred to the fund in cash, or securities at market value as of  
23 that date, or both.

24 Sec. 37.12.180. DEFINITIONS. In secs. 10 - 180 of this chapter

25 (1) "committee" means Alaska Fund Investment Committee;

26 (2) "expenses of administration" means the amount incurred  
27 during the fiscal year in accordance with contracts for managerial,  
28 advisory, legal, appraisal, accounting, auditing, performance evalu-  
29 ations, custodial, execution of transactions, brokerage, and other

1 services;

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

4 (4) "fund" means the Alaska resources permanent fund and  
5 includes income and capital appreciation;

6 (5) "investment manager" means a person who, for compensa-  
7 tion, engages in the business of advising others, either directly or  
8 through publications or writings, as to the value of securities or  
9 as to the advisability of investing in, purchasing, or selling  
10 securities, or who, for compensation and as a part of a regular business,  
11 issues or promulgates, analyzes or reports concerning securities, or  
12 invests in securities as agent for others;

13 (6) "investments" means the property of the fund and in-  
14 cludes cash;

15 (7) "long-term total return" means an investment policy  
16 which includes long-term capital appreciation, dividend income, plus  
17 interest income, plus realized capital gains, plus unrealized capital  
18 gains, minus realized capital losses, and minus unrealized capital  
19 losses;

20 (8) "manage", with respect to the fund, includes but is  
21 not limited to selection of classes of investments, selection of  
22 investments from within those classes, and the acquisition, retention,  
23 disposition, and exchange of investments;

24 (9) "permanent" when applied to the fund means that it  
25 shall have perpetual existence, not be subject to invasion or diversion,  
26 and be kept intact except for withdrawals as provided in sec. 160 of  
27 this chapter.

28 \* Sec. 2. This Act takes effect on the day after its passage and approval  
29 or on the day it becomes law without approval.