

Original sponsor: Rules Committee by re-
quest 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 pro-
8 viding for an effective date."

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 the senate minority leader, the speaker of the house and the house
23 minority leader, three members of the public, not more than two of
24 whom are of the same political party, knowledgeable and experienced
25 in banking, accounting or investing, appointed by the governor.
26 The three public members of the committee who are appointed must
27 be confirmed by the legislature in joint session. The committee
28 shall, at its first meeting, select a chairman and vice chairman.

29 Sec. 37.12.040. TERMS OF MEMBERS APPOINTED FROM THE PUBLIC AND

1 THEIR REMOVAL. (a) Appointed public members of the committee are
2 appointed for six-year terms. However, the first three appointments
3 shall be for two, four and six years respectively.

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

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

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

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

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

1 charges, enforce and compromise claims, make, execute, acknowledge and
2 deliver documents of transfer, conveyances and other instruments
3 necessary or appropriate to carry out such powers.

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

5 (1) act as custodian of the investments and provide for
6 their safekeeping;

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

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

12 (4) maintain adequate accounts and records;

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

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

22 (7) cause an annual examination of the fund by a qualified
23 fund evaluator. The evaluator's report shall include an evaluation of
24 current investment practices and of specific investments of the fund
25 in light of the investment objective and management standards of the
26 fund. The report shall be submitted to the governor, the Alaska fund
27 investment committee, and the legislature.

28 Sec. 37.12.090. CONFLICT OF INTEREST AND PUBLIC DISCLOSURE. (a)
29 Any member of the committee who is an employee or officer of, or who

1 contracts with, or obtains a direct or indirect interest in any corpora-
2 tion or other entity in which an investment is made from the fund
3 shall disclose publicly the existence of such employment, office,
4 contract or interest upon the acquisition of it.

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

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

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

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

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

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

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

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

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

29 (b) Contracts may provide for reasonable compensation and reim-

1 bursement of expenses.

2 Sec. 37.12.140. ANNUAL DETERMINATION OF MARKET VALUE AND REPORT.
3 In addition to the monthly reports provided for in sec. 80(5) of this
4 chapter, at the end of each fiscal year, after deducting from the fund
5 for the purpose of computation the expenses of administration of that
6 year, the committee shall determine the market value, capital gains
7 and losses and dividend income of the fund and submit a report of its
8 findings to the governor and each legislature.

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

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

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

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

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

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

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

1 (2) "expenses of administration" means the amount incurred
2 during the fiscal year in accordance with contracts for managerial,
3 advisory, legal, appraisal, accounting, auditing, performance evalu-
4 ations, custodial, execution of transactions, brokerage, and other
5 services;

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

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

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

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

19 (7) "long-term total return" means an investment policy
20 which includes long-term capital appreciation, dividend income, plus
21 interest income, plus realized capital gains, plus unrealized capital
22 gains, minus realized capital losses, and minus unrealized capital
23 losses;

24 (8) "manager", with respect to the fund, includes but is
25 not limited to selection of classes of investments, selection of
26 investments from within those classes, and the acquisition, retention,
27 disposition, and exchange of investments;

28 (9) "permanent" when applied to the fund means that it
29 shall have perpetual existence, not be subject to invasion or diversion,

1 and be kept intact except for withdrawals as provided in sec. 160 of
2 this chapter;

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

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