

*CS Spec on Invest & monitoring policies*

Original sponsor: Rules Committee by request of the Governor

Offered: 4/25/70  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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 ARTICLE 1. ADMINISTRATION

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

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

20 Sec. 37.12.030. INVESTMENT POLICY. The commissioner of revenue  
21 shall invest the fund for maximum long-term total return.

22 Sec. 37.12.040. MANAGEMENT STANDARDS. The commissioner, in  
23 managing the fund, shall exercise the judgment and care under the  
24 circumstances then prevailing which men of ordinary prudence, dis-  
25 cretion, intelligence, and experience exercise in the management of  
26 their own affairs not in regard to speculation but in regard to the  
27 permanent disposition of their funds, considering probable income,  
28 probable appreciation, and safety of their capital.

29 Sec. 37.12.050. POWERS. The powers of the state with respect to

1 the investments are all of the powers which a natural person has in  
2 dealing with his own property including but not limited to the power  
3 to invest, reinvest, purchase and purchase at a premium, sell and sell  
4 at less than cost, exchange, convey, transfer, lease, lease back and  
5 otherwise dispose, register securities, vote securities, give proxies,  
6 exercise conversion privileges, subscription rights and other options,  
7 consent or otherwise participate in corporate reorganization or other  
8 changes affecting corporate securities, pay assessments or charges,  
9 enforce and compromise claims, make, execute, acknowledge and deliver  
10 documents of transfer, conveyances and other instruments necessary or  
11 appropriate to carry out such powers.

12 Sec. 37.12.060. FUNCTIONS OF THE COMMISSIONER. The commissioner  
13 shall:

14 (1) act as custodian of the investments and provide for  
15 their safekeeping;

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

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

21 (4) maintain adequate accounts and records;

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

29 (6) cause an annual audit of the fund by a licensed

1 certified public accountant who is not an employee of the state and  
2 submit the auditor's report to the governor and to the state investment  
3 advisory committee;

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

10 Sec. 37.12.070. CONTRACTS. (a) The commissioner may contract  
11 with one or more qualified persons in the state or elsewhere

12 (1) to perform the functions specified in sec. 060(1) - (3)  
13 of this chapter; except that when contracts are made with respect to  
14 the function specified in sec. 060(3) of this chapter, three or more  
15 fund managers shall be engaged and separate portions of the fund shall  
16 be allocated to each of them;

17 (2) to provide the commissioner with advice and other  
18 services;

19 (b) Contracts may provide for reasonable compensation and  
20 reimbursement of expenses.

21 Sec. 37.12.080. ANNUAL DETERMINATION OF MARKET VALUE. At the end  
22 of each fiscal year, after deducting from the fund for the purpose of  
23 computation the expenses of administration of that year, the  
24 commissioner shall determine the market value of the fund.

25 Sec. 37.12.090. WITHDRAWALS. (a) Expenses of administration  
26 shall be paid out of the fund.

27 (b) Sixty days after the end of each fiscal year, whether or not  
28 provided by income and capital appreciation, an amount in cash, or  
29 securities at market value as of the date of transfer, or both, equal

1 and limited to five per cent of the mean average of the determined  
2 market value of the fund at the end of that fiscal year and the deter-  
3 mined market values of the fund at the ends of the two (necessarily,  
4 none and one, at the ends of the first and second fiscal years,  
5 respectively) preceding years shall be withdrawn from the fund and  
6 transferred to the general fund.

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

8 Sec. 37.12.100. TRANSFER TO FUND. Upon the effective date of an  
9 act appropriating to the fund, the amount appropriated shall be trans-  
10 ferred to the fund in cash, or securities at market value as of that  
11 date, or both.

12 ARTICLE 2. STATE INVESTMENT ADVISORY COMMITTEE.

13 Sec. 37.12.200. STATE INVESTMENT ADVISORY COMMITTEE. (a) There  
14 is, within the Department of Revenue, the State Investment Advisory  
15 Committee comprised of the commissioner of revenue, who shall serve  
16 as chairman, the commissioner of commerce, the commissioner of  
17 administration, the commissioner of economic development, the president  
18 of the senate, the speaker of the house, the senate finance chairman,  
19 the house finance chairman, the senate minority leader, the house  
20 minority leader, and three members of the public not more than two of  
21 whom are the same political party, knowledgeable and experienced in  
22 banking, accounting or investing, appointed by the governor. The  
23 three public members of the committee who are appointed must be  
24 confirmed by the legislature in joint session. The committee shall,  
25 at its first meeting, select a vice-chairman.

26 (b) Appointed public members of the committee are appointed for  
27 six year terms. However, the first three appointments shall be for  
28 two, four and six years respectively. The legislative members shall  
29 serve for the balance of their current legislative terms. The public

1 members of the committee, unless removed, serve until their successors  
2 are appointed and have qualified.

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

9 Sec. 37.12.210. FUNCTION. The committee shall advise the  
10 commissioner with respect to the administration of the Alaska Resources  
11 Permanent Fund.

12 Sec. 37.12.220. QUORUM. Seven members of the committee  
13 constitute a quorum for the conduct of business at a meeting.

14 Sec. 37.12.230. EXPENSES. The three members from the public  
15 receive no pay but are entitled to the travel expenses and per diem  
16 authorized for members of boards and commissions.

17 ARTICLE 3. GENERAL PROVISIONS

18 Sec. 37.12.300. DEFINITIONS. As used in this chapter

19 (1) "commissioner" means the principal executive officer  
20 of the Department of Revenue;

21 (2) "expenses of administration" means the amount incurred  
22 during the fiscal year in accordance with contracts for managerial,  
23 advisory, legal, appraisal, accounting, auditing, performance  
24 evaluation, custodial, execution of transactions, brokerage, and  
25 other services;

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

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

1 (5) "investments" means the property of the fund and  
2 includes cash;

3 (6) "manage", with respect to the fund, includes but is not  
4 limited to selection of classes of investments, selection of invest-  
5 ments from within those classes, and the acquisition, retention,  
6 disposition, and exchange of investments;

7 (7) "maximum long-term total return" means an investment  
8 policy which has as its central objective growth of the fund over the  
9 long term, whether through income or capital appreciation;

10 (8) "permanent" when applied to the fund means that it  
11 shall have perpetual existence, not be subject to invasion or diver-  
12 sion, and be kept intact except for withdrawals as provided in sec.  
13 090 of this chapter;

14 (9) "committee" means state investment advisory committee.

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