

Introduced: 2/14/79
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 208

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to pension fund investments; and
7 providing for an effective date."

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

9 * Section 1. AS 14.25.180(b) is amended to read:

10 (b) When, in the opinion of the commissioner of administration,
11 there is on hand in the retirement fund a surplus over and above a
12 reasonably safe amount to take care of current demands upon the fund,
13 the surplus or so much of it as in the judgment of the commissioner of
14 administration is considered proper may be invested by the commissioner
15 of revenue in (1) bonds or other interest-bearing obligations and
16 securities of the United States or an agency of the United States, a
17 state of the United States, or a political subdivision of any state of
18 the United States, if the political subdivision has a population as
19 shown by the last federal census preceding the investment of no less
20 than 30,000 inhabitants, except no population limitation applies to a
21 political subdivision of this state; (2) first lien real estate mort-
22 gage securities insured by the Federal Housing Administration under
23 the National Housing Act of the United States, or held by the Depart-
24 ment of Commerce and Economic Development, or the Department of Natural
25 Resources; (3) corporation bonds, and preferred and common stocks the
26 principal, interest, or dividends of which are payable in either
27 United States dollars or foreign currencies as the commissioner of
28 revenue considers proper investments for the funds; (4) shares of
29 federally chartered savings and loan associations in Alaska, to the

1 extent that the investment is insured by the federal government or by
2 an agency of the federal government; (5) deposits with mutual savings
3 banks in Alaska, to the extent that the investment is insured by the
4 federal government or an agency of the federal government; (6) deposits
5 with state and national banks in Alaska to the extent that the invest-
6 ment is insured by the federal government or an agency of the federal
7 government; (7) loans guaranteed by the division of veterans' affairs
8 under AS 26.15.040(b); (8) [deleted] (9) the guaranteed portion of
9 Small Business Administration loans; (10) first lien real estate
10 mortgages guaranteed by the federal Veterans Administration; (11)
11 notes secured by mortgages of commercial or residential real estate or
12 other security if the mortgages are insured by a private mortgage
13 insurance corporation which is authorized to do business in Alaska and
14 has combined capital, surplus and reserves aggregating at least
15 \$20,000,000; however, (A) no mortgage insurance is necessary for
16 commercial loans having loan-to-value ratios of less than 50 per cent
17 and the minimum coverage of other commercial loans shall be 10 per
18 cent for those having a loan-to-value ratio of 50 - 60 per cent and 15
19 per cent for those having a loan-to-value ratio greater than 60 per
20 cent but no more than 75 per cent, and (B) no mortgage insurance is
21 necessary for residential loans having a loan-to-value ratio of less
22 than 70 per cent and the minimum coverage of other residential loans
23 shall be 10 per cent for those having a loan-to-value ratio greater
24 than 70 per cent but less than 90 per cent and 20 per cent for those
25 having a loan-to-value ratio of 90 per cent; (12) conventional residen-
26 tial mortgages if the originating financial institution retains at
27 least 25 per cent of the mortgage for a minimum of two years; (13)
28 notes secured by mortgages of commercial real estate if the originating
29 financial institution retains at least 25 per cent of the mortgage;

1 (14) FHA guaranteed portion of business and industrial loans made
2 under the Rural Development Act of 1972; (15) guaranteed portion of
3 loans made under the Federal Ship Financing Act of 1972. No more than
4 25 per cent of the surplus may be invested in mortgage securities of
5 the Department of Commerce and Economic Development, and the state
6 shall appropriate sufficient money from the general fund to reimburse
7 the teachers' retirement system for any losses incurred as a result of
8 failure of the obligors to pay on the notes. No more than \$400,000 of
9 the surplus may be invested annually in the mortgage securities of the
10 Department of Natural Resources, and the state shall appropriate
11 sufficient money from the general fund to reimburse the teachers'
12 retirement system for any losses incurred as a result of failure of
13 the obligors to pay on the notes; (16) bonds, debentures, notes, or
14 other obligations issued, guaranteed, or assumed as to both principal
15 and interest by the government of the Dominion of Canada, or by any
16 province of Canada, or by any municipality of Canada which has a
17 population of not less than 150,000, if (A) the full faith and credit
18 of the issuer, guarantor, or assumer of the bonds, debentures, notes,
19 or other obligations is pledged for the payment of principal and
20 interest on them, (B) the principal and interest on them is payable in
21 United States currency, either unconditionally or at the option of the
22 holder, and (C) these obligations are rated A or an equivalent quality
23 by a nationally recognized rating organization; (17) bankers' accept-
24 ances which are eligible for discount at the Federal Reserve Bank and
25 negotiable time certificates of deposit issued by commercial banks.

26 * Sec. 2. AS 14.25.180(b) is amended by adding new paragraphs to read:

27 (18) foreign time deposits of both United States owned and
28 foreign owned banks and trust companies denominated in either United
29 States dollars or foreign currencies, those holdings not to exceed 25

1 per cent of total invested funds;

2 (19) securities of foreign governments, foreign governmental
3 agencies, and foreign corporations the principal, interest or dividends
4 of which are payable in either United States dollars or foreign curren-
5 cies, those holdings not to exceed 15 per cent of the total invested
6 fund;

7 (20) gold bullion, silver bullion, and platinum not to
8 exceed in aggregate 15 per cent of total invested funds.

9 * Sec. 3. AS 14.25.180 is amended by adding new subsections to read:

10 (g) The commissioner of revenue may enter into futures contracts
11 for the sale of foreign currencies for the purpose of hedging an
12 existing time deposit in that currency.

13 (h) The commissioner of revenue may enter into futures contracts
14 for the sale of obligations of the United States or agencies or
15 instrumentalities of the United States for the purpose of hedging an
16 existing equivalent ownership position in these securities.

17 (i) The commissioner of revenue may enter into futures contracts
18 for the purchase and sale of gold, silver, and platinum for the purpose
19 of hedging an existing equivalent ownership position in these metals.

20 (j) The commissioner of revenue may transfer at any time a portion
21 of the assets of the retirement fund to any trust which is qualified
22 under sec. 401(a) and exempt from taxation under sec. 501(a) of the
23 Internal Revenue Code of 1954, as amended, and is maintained as a
24 medium for pooling a portion of the funds of pension and profit sharing
25 trusts for diversifying investments in real estate and interests in
26 real estate.

27 (k) The commissioner of revenue may enter into any contract or
28 trust agreement necessary to effectuate the transfer of assets or
29 maintain the assets to be transferred to a trust under (j) of this

1 section.

2 * Sec. 4. AS 39.25.110(a) is amended by adding new paragraphs to read:

3 (18) foreign time deposits of both United States owned and
4 foreign owned banks and trust companies denominated in either United
5 States dollars or foreign currencies, those holdings not to exceed 25
6 per cent of total invested funds;

7 (19) securities of foreign governments, foreign governmental
8 agencies, and foreign corporations the principal, interest, or divi-
9 dends of which are payable in either United States dollars or foreign
10 currencies, those holdings not to exceed 15 per cent of the total
11 invested funds;

12 (20) gold bullion, silver bullion, and platinum not to
13 exceed in aggregate 15 per cent of total invested funds.

14 * Sec. 5. AS 39.35.110 is amended by adding new subsections to read:

15 (h) The commissioner of revenue may enter into futures contracts
16 for the sale of foreign currencies for the purpose of hedging an
17 existing time deposit in that currency.

18 (i) The commissioner of revenue may enter into futures contracts
19 for the sale of obligations of the United States or agencies or instru-
20 mentalities of the United States for the purpose of hedging an existing
21 equivalent ownership position in these securities.

22 (j) The commissioner of revenue may enter into futures contracts
23 for the purchase and sale of gold, silver, and platinum for the purpose
24 of hedging an existing equivalent ownership position in these metals.

25 (k) The commissioner of revenue may transfer at any time a por-
26 tion of the assets of the pension fund to any trust which is qualified
27 under sec. 401(a) and exempt from taxation under sec. 501(a) of the
28 Internal Revenue Code of 1954, as amended, and is maintained as a
29 medium for pooling a portion of the funds of pension and profit sharing

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trusts for diversifying investments in real estate and interests in real estate.

(1) The commissioner of revenue may enter into any contract or trust agreements necessary to effectuate the transfer of assets or maintain the assets to be transferred to a trust under (k) of this section.

* Sec. 6. This Act takes effect immediately in accordance with AS 01.-10.070(c).