

Original sponsor: Rules/Governor

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1 IN THE SENATE

BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR SENATE BILL NO. 315

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment of state funds and  
7 to bank charges for cashing state checks or warrants;  
8 and providing for an effective date."

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

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

11 (b) When, in the opinion of the commissioner of administration,  
12 there is on hand in the retirement fund a surplus over and above a  
13 reasonably safe amount to take care of current demands upon the fund,  
14 the surplus or so much of it as in the judgment of the commissioner of  
15 administration is considered proper may be invested at competitive na-  
16 tional market rates by the commissioner of revenue in

17 [(1) BONDS OR OTHER INTEREST-BEARING OBLIGATIONS AND SECURITIES  
18 OF THE UNITED STATES OR AN AGENCY OF THE UNITED STATES, A STATE OF THE  
19 UNITED STATES, OR A POLITICAL SUBDIVISION OF ANY STATE OF THE UNITED  
20 STATES, IF THE POLITICAL SUBDIVISION HAS A POPULATION AS SHOWN BY THE  
21 LAST FEDERAL CENSUS PRECEDING THE INVESTMENT OF NO LESS THAN 30,000  
22 INHABITANTS, EXCEPT NO POPULATION LIMITATION APPLIES TO A POLITICAL  
23 SUBDIVISION OF THIS STATE;

24 (2) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES INSURED BY THE  
25 FEDERAL HOUSING ADMINISTRATION UNDER THE NATIONAL HOUSING ACT OF THE  
26 UNITED STATES, OR HELD BY THE DEPARTMENT OF COMMERCE, OR THE DEPARTMENT  
27 OF NATURAL RESOURCES;

28 (3) CORPORATION BONDS, AND PREFERRED AND COMMON STOCKS AS THE  
29 COMMISSIONER OF REVENUE CONSIDERS PROPER INVESTMENTS FOR THE FUNDS;]

1 (4) shares of federally chartered savings and loan associa-  
2 tions in Alaska, to the extent that the investment is insured by the  
3 federal government or by an agency of the federal government;

4 (5) deposits with mutual savings banks in Alaska, to the  
5 extent that the investment is insured by the federal government or an  
6 agency of the federal government;

7 (6) deposits with state and national banks in Alaska to the  
8 extent that the investment is insured by the federal government or an  
9 agency of the federal government;

10 [(7) LOANS GUARANTEED BY THE DIVISION OF VETERANS' AFFAIRS  
11 UNDER AS 26.15.040(b);]

12 (8) (deleted);

13 (9) the guaranteed portion of Small Business Administration  
14 loans;

15 (10) first lien real estate mortgages guaranteed by the federal  
16 Veterans Administration;

17 (11) notes secured by mortgages of commercial or residential  
18 buildings [REAL ESTATE OR OTHER SECURITY] if the mortgages are insured  
19 by a private mortgage insurance corporation which is authorized to do  
20 business in Alaska and has combined capital, surplus and reserves aggre-  
21 gating at least \$20,000,000; however,

22 (A) no mortgage insurance is necessary for commercial  
23 loans having loan-to-value ratios of less than 50 percent and the  
24 minimum coverage of other commercial loans shall be 10 percent for  
25 those having a loan-to-value ratio of 50-60 percent and 15 percent  
26 for those having a loan-to-value ratio greater than 60 percent but  
27 no more than 75 percent, and

28 (B) no mortgage insurance is necessary for residential  
29 loans having a loan-to-value ratio of less than 70 percent and the

1 minimum coverage of other residential loans shall be 10 percent for  
2 those having a loan-to-value ratio greater than 70 percent but less  
3 than 90 percent and 20 percent for those having a loan-to-value  
4 ratio of 90 percent;

5 (12) conventional residential mortgages if the originating  
6 financial institution retains at least 25 percent of the mortgage for a  
7 minimum of two years;

8 (13) notes secured by mortgages of commercial buildings [REAL  
9 ESTATE] if the originating financial institution retains at least 25  
10 percent of the mortgage until maturity;

11 (14) FHA guaranteed portion of business and industrial loans  
12 made under the Rural Development Act of 1972;

13 [(15) GUARANTEED PORTION OF LOANS MADE UNDER THE FEDERAL SHIP  
14 FINANCING ACT OF 1972. NO MORE THAN 25 PERCENT OF THE SURPLUS MAY BE  
15 INVESTED IN MORTGAGE SECURITIES OF THE DEPARTMENT OF COMMERCE, AND THE  
16 STATE SHALL APPROPRIATE SUFFICIENT MONEY FROM THE GENERAL FUND TO REIM-  
17 BURSE THE TEACHERS' RETIREMENT SYSTEM FOR ANY LOSSES INCURRED AS A  
18 RESULT OF FAILURE OF THE OBLIGORS TO PAY ON THE NOTES. NO MORE THAN  
19 \$400,000 OF THE SURPLUS MAY BE INVESTED ANNUALLY IN THE MORTGAGE SECURI-  
20 TIES OF THE DEPARTMENT OF NATURAL RESOURCES, AND THE STATE SHALL APPRO-  
21 PRIATE SUFFICIENT MONEY FROM THE GENERAL FUND TO REIMBURSE THE TEACHERS'  
22 RETIREMENT SYSTEM FOR ANY LOSSES INCURRED AS A RESULT OF FAILURE OF THE  
23 OBLIGORS TO PAY ON THE NOTES;

24 (16) BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS ISSUED,  
25 GUARANTEED, OR ASSUMED AS TO BOTH PRINCIPAL AND INTEREST BY THE GOVERN-  
26 MENT OF THE DOMINION OF CANADA, OR BY ANY PROVINCE OF CANADA, OR BY ANY  
27 MUNICIPALITY OF CANADA WHICH HAS A POPULATION OF NOT LESS THAN 150,000,  
28 IF (A) THE FULL FAITH AND CREDIT OF THE ISSUER, GUARANTOR, OR ASSUMER OF  
29 THE BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS IS PLEDGED FOR THE

1 PAYMENT OF PRINCIPAL AND INTEREST ON THEM, (B) THE PRINCIPAL AND INTEREST  
2 ON THEM IS PAYABLE IN UNITED STATES CURRENCY, EITHER UNCONDITIONALLY OR  
3 AT THE OPTION OF THE HOLDER, AND (C) THESE OBLIGATIONS ARE RATED A OR AN  
4 EQUIVALENT QUALITY BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;]

5 (17) bankers' acceptances which are eligible for discount at  
6 the Federal Reserve Bank and [NEGOTIABLE TIME] certificates of deposit  
7 issued by United States domestic [COMMERCIAL] banks which are members of  
8 the Federal Deposit Insurance Corporation if a generally recognized  
9 secondary market exists for the certificates of deposit;

10 (18) obligations of, or obligations insured by or guaranteed  
11 by, the United States or agencies or instrumentalities of the United  
12 States;

13 (19) obligations secured by reserves paid in by the United  
14 States or agencies or instrumentalities of the United States or obliga-  
15 tions of corporations in which the United States is a shareholder or  
16 member;

17 (20) corporate debt securities with a minimum rating of "A" or  
18 an equivalent rating by a nationally recognized rating organization;

19 (21) preferred and common stock of companies which have paid  
20 dividends in each of the three years immediately preceding the invest-  
21 ment;

22 (22) commercial paper bearing the highest rating of a nation-  
23 ally recognized rating organization;

24 (23) securities of foreign governments, foreign governmental  
25 agencies, and foreign corporations the principal, interest or dividends  
26 on which are payable in either United States dollars or foreign curren-  
27 cies; however, investments under this paragraph may not exceed 10 per-  
28 cent of the total investments of the retirement fund;

29 (24) foreign time deposits of both United States-owned and

1 foreign-owned banks and trust companies denominated in either United  
2 States dollars or foreign currencies; however, investments under this  
3 paragraph may not exceed 20 percent of the total investments of the re-  
4 retirement fund;

5 (25) gold bullion certified as to fineness of at least 99-1/2  
6 percent; however, investments under this paragraph may not exceed 10  
7 percent of the total investments of the retirement fund; the commis-  
8 sioner of revenue shall purchase gold bullion produced in Alaska to the  
9 extent that Alaska gold bullion is available if it can be obtained at a  
10 price comparable to out-of-state sources.

11 \* Sec. 2. AS 14.25.180(c) is amended to read:

12 (c) In making investments the commissioner of revenue shall exer-  
13 cise the judgment and care under the circumstances then prevailing which  
14 an institutional investor [MEN] of ordinary prudence, discretion, and  
15 intelligence exercises [EXERCISE] in the management of large investments  
16 entrusted to it [THEIR OWN AFFAIRS] not in regard to speculation but in  
17 regard to the permanent disposition of [THEIR] funds, considering [THE]  
18 probable safety of capital as well as probable income [THEREFROM AS WELL  
19 AS THE PROBABLE SAFETY OF THEIR CAPITAL]. However, no more than 50  
20 percent of the retirement fund may be invested at any given time in  
21 corporate stocks and debt securities [BONDS], nor may more than five  
22 percent of the voting stock of a [ANY] corporation be owned. Stocks  
23 eligible for purchase are restricted to stocks which, except for bank  
24 stocks and insurance stocks, are listed upon an exchange registered with  
25 the Federal Securities and Exchange Commission.

26 \* Sec. 3. AS 14.25.180(d)(5) is amended to read:

27 (5) register investments held in the retirement fund in the  
28 name of the system;

29 \* Sec. 4. AS 14.25.180(e) is repealed and re-enacted to read:

1 (e) To qualify as a mortgage which may be purchased under (b)(11),  
2 (12) or (13) of this section,

3 (1) the originating financial institution must certify that  
4 the mortgage has been made in compliance with law and that liens sup-  
5 porting the mortgage have been perfected;

6 (2) the mortgage may not have been held by the originating  
7 financial institution for a period greater than 90 days.

8 \* Sec. 5. AS 14.25.180 is amended by adding new subsections to read:

9 (g) The commissioner of revenue may enter into futures contracts  
10 for the sale of investments purchased under (b) of this section only for  
11 the purpose of hedging an existing equivalent ownership position in the  
12 investments.

13 (h) The commissioner of revenue may transfer at any time a portion  
14 of the assets of the retirement fund to a trust which is qualified under  
15 sec. 401(a) and exempt from taxation under sec. 501(a) of the Internal  
16 Revenue Code of 1954, as amended, and which is maintained as a medium  
17 for pooling a portion of the funds of pension and profit-sharing trusts  
18 for diversifying investments in real estate and interests in real estate.

19 (i) The commissioner of revenue may enter into a contract or trust  
20 agreement necessary to effectuate the transfer of assets of the retire-  
21 ment fund or to maintain the assets of the retirement fund to be trans-  
22 ferred to a trust under (h) of this section.

23 \* Sec. 6. AS 37.10.070 is repealed and re-enacted to read:

24 Sec. 37.10.070. INVESTMENT OF SURPLUS FUNDS. (a) When the commis-  
25 sioner of revenue determines that there is in the state treasury a  
26 surplus above an amount sufficient to meet current and projected cash  
27 expenditure needs, the surplus shall be invested at competitive national  
28 market rates unless otherwise provided by law in any of the following:

29 (1) obligations of, or obligations insured or guaranteed by,

1 the United States or agencies or instrumentalities of the United States;

2 (2) obligations secured by reserves paid in by the United  
3 States or agencies or instrumentalities of the United States or obliga-  
4 tions of corporations in which the United States is a shareholder or  
5 member;

6 (3) certificates of deposit issued by United States domestic  
7 banks which are members of the Federal Deposit Insurance Corporation for  
8 which a generally recognized secondary market exists or which are secured  
9 fully at all times as to the payment of principal and interest in accor-  
10 dance with Alaska law;

11 (4) corporate debt securities with a minimum rating of "Baa"  
12 or the equivalent by a nationally recognized rating organization and the  
13 preferred and common stocks of companies which have paid dividends  
14 continuously for the last three years;

15 (5) commercial paper bearing the highest rating of a na-  
16 tionally recognized rating organization;

17 (6) securities of foreign governments, foreign governmental  
18 agencies, and foreign corporations the principal, interest or dividends  
19 of which are payable in either United States dollars or foreign curren-  
20 cies;

21 (7) bankers acceptances drawn on and accepted by banks with a  
22 combined capital and surplus aggregating at least \$200,000,000;

23 (8) shares of federally chartered savings and loan associa-  
24 tions in Alaska which are fully secured at all times as to the payment  
25 of principal and interest in accordance with Alaska law;

26 (9) savings certificates issued by state-chartered savings  
27 and loan associations in Alaska which are fully secured at all times as  
28 to the payment of principal and interest in accordance with Alaska law;

29 (10) deposits with mutual savings banks in Alaska which are

1 fully secured at all times as to the payment of principal and interest  
2 in accordance with Alaska law;

3 (11) fixed-term certificates of indebtedness of federally  
4 insured credit unions in Alaska which are fully secured at all times as  
5 to the payment of principal and interest in accordance with Alaska law;

6 (12) foreign time deposits of both United States-owned and  
7 foreign-owned banks and trust companies denominated in either United  
8 States dollars or foreign currencies;

9 (13) mortgages of the Alaska Rural Rehabilitation Corporation  
10 which secure agricultural loans, agricultural business loans, and agri-  
11 cultural processing loans.

12 (b) In making investments, the commissioner of revenue shall  
13 exercise the judgment and care under the circumstances then prevailing  
14 which an institutional investor of ordinary prudence, discretion, and  
15 intelligence exercises in the management of large investments entrusted  
16 to it not in regard to speculation but in regard to the permanent dispo-  
17 sition of funds, considering probable safety of capital as well as  
18 probable income.

19 (c) Except as provided in this section, the commissioner of revenue  
20 may

21 (1) invest and reinvest the principal and income without  
22 distinction between principal and income;

23 (2) sell, exchange, convey, transfer, or otherwise dispose of  
24 an investment of the general fund by private contract or at public  
25 auction;

26 (3) vote upon a stock, bond, or other security; give a general  
27 or special proxy or power of attorney with or without power of substitu-  
28 tion; exercise a conversion privilege, subscription right, or other  
29 option and make payments incidental to it; consent to or participate in

1 a corporate reorganization or other change affecting corporate securi-  
2 ties, delegate discretionary power, pay an assessment or charge in  
3 connection with the delegation; and generally exercise any of the powers  
4 of an owner with respect to stocks, bonds, securities, or other invest-  
5 ments held in the general fund;

6 (4) make, execute, acknowledge, and deliver documents of  
7 transfer and conveyance and instruments necessary or appropriate to  
8 carry out the powers granted;

9 (5) register investments held in the name of the state;

10 (6) do all acts whether or not expressly authorized which are  
11 considered necessary or proper for the protection of the investments.

12 (d) The commissioner of revenue may enter into futures contracts  
13 for the sale of investments purchased under (a) of this section only for  
14 the purpose of hedging an existing equivalent ownership position in  
15 these investments.

16 (e) The commissioner of revenue may enter into contracts for  
17 services providing investment advice, custody of securities, and execu-  
18 tion of transactions, in or out of Alaska.

19 \* Sec. 7. AS 39.35.110(a) is amended to read:

20 (a) When, in the opinion of the commissioner of administration,  
21 there is on hand in the pension fund a surplus over and above a reason-  
22 ably safe amount to take care of current demands upon the fund, the  
23 surplus, or so much of it as in the judgment of the commissioner of  
24 administration is considered proper, may be invested at competitive  
25 national market rates by the commissioner of revenue in

26 [(1) BONDS OR OTHER INTEREST-BEARING OBLIGATIONS AND SECURI-  
27 TIES OF THE (A) UNITED STATES OR AN AGENCY OF THE UNITED STATES, (B) A  
28 STATE OF THE UNITED STATES, OR (C) A POLITICAL SUBDIVISION OF A STATE OF  
29 THE UNITED STATES, IF THE POLITICAL SUBDIVISION HAS A POPULATION AS

1 SHOWN BY THE LAST FEDERAL CENSUS PRECEDING THE INVESTMENT OF NOT LESS  
2 THAN 30,000 INHABITANTS; WITH RESPECT TO POLITICAL SUBDIVISIONS OF THIS  
3 STATE, NO POPULATION LIMITATION APPLIES;

4 (2) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES INSURED BY THE  
5 FEDERAL HOUSING ADMINISTRATION UNDER THE NATIONAL HOUSING ACT OF THE  
6 UNITED STATES OR HELD BY THE DIVISION OF VETERANS' AFFAIRS UNDER  
7 AS 26.15, OR LOANS GUARANTEED BY THE DIVISION OF VETERANS' AFFAIRS UNDER  
8 AS 26.15.040(b);

9 (3) CORPORATION BONDS AND PREFERRED AND COMMON STOCKS AS THE  
10 COMMISSIONER OF REVENUE CONSIDERS PROPER INVESTMENTS FOR THE FUNDS;

11 (4) FIRST LIEN REAL ESTATE MORTGAGE SECURITIES HELD BY THE  
12 DEPARTMENT OF NATURAL RESOURCES UNDER AS 03.10;]

13 (5) shares of federally chartered savings and loan associa-  
14 tions in Alaska, to the extent that the [SUCH] investment is insured by  
15 the federal government or an agency of the federal government [THEREOF];

16 (6) deposits with mutual savings banks in Alaska, to the  
17 extent that the [SUCH] investment is insured by the federal government  
18 or an agency of the federal government [THEREOF];

19 (7) deposits with state and national banks in Alaska to the  
20 extent that the investment is insured by the federal government or an  
21 agency of the federal government;

22 (8) [MUTUAL FUNDS;]

23 (9) the guaranteed portion of Small Business Administration  
24 loans;

25 (10) first lien real estate mortgages guaranteed by the federal  
26 Veterans Administration;

27 (11) notes secured by mortgages of commercial or residential  
28 buildings [REAL ESTATE OR OTHER SECURITY] if the mortgages are insured  
29 by a private mortgage insurance corporation which is authorized to do  
30

1 business in Alaska and has combined capital, surplus and reserves aggregating at least \$20,000,000; however,

2  
3 (A) no mortgage insurance is necessary for commercial  
4 loans having loan-to-value ratios of less than 50 percent and the  
5 minimum coverage of other commercial loans shall be 10 percent for  
6 those having a loan-to-value ratio of 50-60 per cent and 15 percent  
7 for those having a loan-to-value ratio greater than 60 percent but  
8 no more than 75 percent, and

9 (B) no mortgage insurance is necessary for residential  
10 loans having a loan-to-value ratio of less than 70 percent and the  
11 minimum coverage of other residential loans shall be 10 percent for  
12 those having a loan-to-value ratio greater than 70 percent but less  
13 than 90 percent and 20 percent for those having a loan-to-value  
14 ratio of 90 percent;

15 (12) conventional residential mortgages if the originating  
16 financial institution retains at least 25 percent of the mortgage for a  
17 minimum of two years;

18 (13) notes secured by mortgages of commercial buildings [REAL  
19 ESTATE] if the originating financial institution retains at least 25  
20 percent of the mortgage until maturity;

21 (14) FHA guaranteed portion of business and industrial loans  
22 made under the Rural Development Act of 1972;

23 [(15) GUARANTEED PORTION OF LOANS MADE UNDER THE FEDERAL SHIP  
24 FINANCING ACT OF 1972;

25 (16) BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS ISSUED,  
26 GUARANTEED, OR ASSUMED AS TO BOTH PRINCIPAL AND INTEREST BY THE GOVERN-  
27 MENT OF THE DOMINION OF CANADA, OR BY ANY PROVINCE OF CANADA, OR BY ANY  
28 MUNICIPALITY OF CANADA WHICH HAS A POPULATION OF NOT LESS THAN 150,000,  
29 IF (A) THE FULL FAITH AND CREDIT OF THE ISSUER, GUARANTOR, OR ASSUMER OF

1 THE BONDS, DEBENTURES, NOTES, OR OTHER OBLIGATIONS IS PLEDGED FOR THE  
2 PAYMENT OF PRINCIPAL AND INTEREST ON THEM, (B) THE PRINCIPAL AND INTEREST  
3 ON THEM IS PAYABLE IN UNITED STATES CURRENCY, EITHER UNCONDITIONALLY OR  
4 AT THE OPTION OF THE HOLDER, AND (C) THESE OBLIGATIONS ARE RATED A OR AN  
5 EQUIVALENT QUALITY BY A NATIONALLY RECOGNIZED RATING ORGANIZATION;]

6 (17) bankers' acceptances which are eligible for discount at  
7 the Federal Reserve Bank and [NEGOTIABLE TIME] certificates of deposit  
8 issued by United States domestic [COMMERCIAL] banks which are members of  
9 the Federal Deposit Insurance Corporation if a generally recognized  
10 secondary market exists for the certificates of deposit;

11 (18) obligations of, or obligations insured by or guaranteed  
12 by, the United States or agencies or instrumentalities of the United  
13 States;

14 (19) obligations secured by reserves paid in by the United  
15 States or agencies or instrumentalities of the United States or obliga-  
16 tions of corporations in which the United States is a shareholder or  
17 member;

18 (20) corporate debt securities with a minimum rating of "A" or  
19 an equivalent rating by a nationally recognized rating organization;

20 (21) preferred and common stock of companies which have paid  
21 dividends in each of the three years immediately preceding the invest-  
22 ment;

23 (22) commercial paper bearing the highest rating of a nation-  
24 ally recognized rating organization;

25 (23) securities of foreign governments, foreign governmental  
26 agencies, and foreign corporations the principal, interest or dividends  
27 on which are payable in either United States dollars or foreign curren-  
28 cies; however, investments under this paragraph may not exceed 10 per-  
29 cent of the total investments of the pension fund;

1                   (24) foreign time deposits of both United States-owned and  
2 foreign-owned banks and trust companies denominated in either United  
3 States dollars or foreign currencies; however, investments under this  
4 paragraph may not exceed 20 percent of the total investments of the pen-  
5 sion fund;

6                   (25) gold bullion certified as to fineness of at least 99-1/2  
7 percent; however, investments under this paragraph may not exceed 10  
8 percent of the total investments of the pension fund; the commissioner  
9 of revenue shall purchase gold bullion produced in Alaska to the extent  
10 that Alaska gold bullion is available if it can be obtained at a price  
11 comparable to out-of-state sources.

12 \* Sec. 8. AS 39.35.110(c) is amended to read:

13                   (c) In making investments the commissioner of revenue shall exer-  
14 cise the judgment and care under the circumstances then prevailing which  
15 an institutional investor [A MAN] of ordinary prudence, discretion, and  
16 intelligence exercises in the management of large investments entrusted  
17 to it [HIS OWN AFFAIRS] not in regard to speculation but in regard to  
18 the permanent disposition of [HIS] funds, considering [THE] probable  
19 safety of capital as well as probable income [FROM THEM AS WELL AS THE  
20 PROBABLE SAFETY OF HIS CAPITAL]. However, no more than 50 percent of  
21 the pension fund may be invested at a given time in [MUTUAL FUNDS AND]  
22 corporate stocks and debt securities [BONDS], nor may [ANY] more than  
23 five percent of the voting stock of one corporation be owned. Stocks  
24 eligible for purchase are restricted to stocks which, except for bank  
25 stocks and [,] insurance stocks [, AND SHARES IN MUTUAL FUNDS], are  
26 listed upon an exchange registered with the Federal Securities and  
27 Exchange Commission.

28 \* Sec. 9. AS 39.35.110(e) is repealed and re-enacted to read:

29                   (e) To qualify as a mortgage which may be purchased under (a)(11),

1 (12), or (13) of this section,

2 (1) the originating financial institution must certify that  
3 the mortgage being sold has been made in compliance with law and that  
4 liens supporting the mortgage have been perfected;

5 (2) the mortgage may not have been held by the originating  
6 financial institution for a period greater than 90 days.

7 \* Sec. 10. AS 39.35.110 is amended by adding new subsections to read:

8 (h) The commissioner of revenue may enter into futures contracts  
9 for the sale of investments purchased under (a) of this section only for  
10 the purpose of hedging an existing equivalent ownership position in the  
11 investments.

12 (i) The commissioner of revenue may transfer at any time a portion  
13 of the assets of the retirement fund to a trust which is qualified under  
14 sec. 401(a) and exempt from taxation under sec. 501(a) of the Internal  
15 Revenue Code of 1954, as amended, and which is maintained as a medium  
16 for pooling a portion of the funds of pension and profit sharing trusts  
17 for diversifying investments in real estate and interests in real es-  
18 tate.

19 (j) The commissioner of revenue may enter into a contract or trust  
20 agreement necessary to effectuate the transfer of assets of the pension  
21 fund or to maintain the assets of the pension fund to be transferred to  
22 a trust under (i) of this section.

23 \* Sec. 11. AS 37.10 is amended by adding a new section to article 1 to  
24 read:

25 Sec. 37.10.078. PROHIBITED DEPOSITS AND INVESTMENTS IN CERTAIN  
26 BANKS. The commissioner of revenue may not make investments or deposits  
27 with a bank doing business in Alaska which has a general practice of  
28 charging a fee for cashing checks or warrants issued by the state or  
29 refusing to cash checks or warrants issued by the state.

1 \* Sec. 12. AS 44.54.010(b) is amended to read:

2 (b) For the purpose of the [INITIAL] funding of the bank's opera-  
3 tions, the board of directors may [SHALL] issue nonvoting, preferred  
4 shares of stock in the bank and [SHALL] determine the value of each  
5 share. The State of Alaska, through appropriate agencies, may [SHALL]  
6 purchase the nonvoting, preferred shares [INITIALLY] issued by the bank.  
7 Shares purchased by the state shall be repurchased by the bank within 20  
8 years after their purchase. If the bank fails to repurchase the shares  
9 within 20 years, the commissioner of commerce and economic development  
10 may dissolve the bank.

11 \* Sec. 13. TRANSITION. The provision for an immediate effective date for  
12 sec. 6 of this Act does not prevent the commissioner of revenue from ful-  
13 filling general fund investment commitments made before the effective date of  
14 this Act. However, the provisions of AS 37.10.070, as amended by sec. 6 of  
15 this Act, apply to all new general fund investments committed to and made on  
16 or after the effective date of this Act.

17 \* Sec. 14. AS 03.10.054; AS 16.10.330, 16.10.550; AS 26.15.070(b); AS 44.  
18 33.270(b), 44.33.370(b); AS 44.47.350(b); AS 45.88.040(b); AS 45.90.040(b);  
19 and AS 45.95.020(b) are repealed.

20 \* Sec. 15. AS 39.35.110(b) and (g) are repealed.

21 \* Sec. 16. Section 14 of this Act takes effect July 1, 1980.

22 \* Sec. 17. Sections 1 - 10, 12, 13, and 15 - 17 of this Act take effect  
23 immediately in accordance with AS 01.10.070(c).