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1 IN THE HOUSE

2 HOUSE BILL NO. 207

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act limiting investments of PERS and TRS funds."

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

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

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

15 (1) [REPEALED

16 (2) REPEALED

17 (3) REPEALED

18 (4)] shares of federally chartered savings and loan asso-
19 ciations in Alaska, to the extent that the investment is insured by
20 the federal government or by an agency of the federal government;

21 (2) [(5)] deposits with mutual savings banks in Alaska, to
22 the extent that the investment is insured by the federal government or
23 an agency of the federal government;

24 (3) [(6)] deposits with state and national banks in Alaska
25 to the extent that the investments is insured by the federal govern-
26 ment or an agency of the federal government;

27 [(7) REPEALED

28 (8) REPEALED]

29 (4) [(9)] the guaranteed portion of Small Business

1 Administration loans;

2 (5) [(10)] first lien real estate mortgages guaranteed by
3 the federal Veterans Administration;

4 (6) [(11)] notes secured by mortgages of commercial or
5 residential buildings if the mortgages are insured by a private mort-
6 gage insurance corporation that [WHICH] is authorized to do business
7 in Alaska and has combined capital, surplus and reserves aggregating
8 at least \$20,000,000; however,

9 (A) no mortgage insurance is necessary for commercial
10 loans having loan-to-value ratios of less than 50 percent and the
11 minimum coverage of other commercial loans shall be 10 percent
12 for those having loan-to-value ratio of 50-60 percent and 15
13 percent for those having a loan-to-value ratio greater than 60
14 percent but no more than 75 percent, and

15 (B) no mortgage insurance is necessary for residential
16 loans having a loan-to-value ratio of less than 70 percent and
17 the minimum coverage of other residential loans shall be 10
18 percent for those having a loan-to-value ratio greater than 70
19 percent but less than 90 percent and 20 percent for those having
20 a loan-to-value ratio of 90 percent;

21 (7) [(12)] conventional residential mortgages if the orig-
22 inating financial institution retains at least 25 percent of the
23 mortgage for a minimum of two years;

24 (8) [(13)] notes secured by mortgages of commercial build-
25 ings if the originating financial institution retains at least 25
26 percent of the mortgage until maturity;

27 (9) [(14)] FHA guaranteed portion of business and indus-
28 trial loans made under the Rural Development Act of 1972;

29 [(15) REPEALED

1 (16) REPEALED]

2 (10) [(17)] bankers' acceptances that [WHICH] are eligible
3 for discount at the Federal Reserve Bank and certificates of deposit
4 issued by United States domestic banks that [WHICH] are members of the
5 Federal Deposit Insurance Corporation if a generally recognized second-
6 ary market exists for the certificates of deposit;

7 (11) [(18)] obligations of, or obligations insured by or
8 guaranteed by, the United States or agencies or instrumentalities of
9 the United States;

10 (12) [(19)] obligations secured by reserves paid in by the
11 United States or agencies or instrumentalities of the United States or
12 obligations of corporations in which the United States is a share-
13 holder or member;

14 (13) [(20)] corporate debt securities with a minimum rating
15 of "A" or an equivalent rating by a nationally recognized rating
16 organization;

17 (14) [(21)] preferred and common stock of companies that
18 [WHICH] have paid dividends in each of the three years immediately
19 preceding the investment;

20 (15) [(22)] commercial paper bearing the highest rating of a
21 nationally recognized rating organization;

22 (16) [(23)] securities of foreign governments, foreign
23 governmental agencies, and foreign corporations the principal, inter-
24 est or dividends on which are payable in either United States dollars
25 or foreign currencies; however, investments under this paragraph may
26 not exceed 10 percent of the total investments of the retirement fund;
27 in making an investment under this paragraph, the commissioner of
28 revenue may not subject fund assets to risk of loss through foreign
29 currency exchange;

1 (17) [24] foreign time deposits of both United States-owned
2 and foreign-owned banks and trust companies denominated in either
3 United States dollars or foreign currencies; however, investments
4 under this paragraph may not exceed 20 percent of the total invest-
5 ments of the retirement fund; in making an investment under this
6 paragraph, the commissioner of revenue may not subject fund assets to
7 risk of loss through foreign currency exchange

8 [(25) GOLD BULLION CERTIFIED AS TO FINENESS OF AT LEAST
9 99-1/2 PERCENT; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT
10 EXCEED 10 PERCENT OF THE TOTAL INVESTMENTS OF THE RETIREMENT FUND; THE
11 COMMISSIONER OF REVENUE SHALL PURCHASE GOLD BULLION PRODUCED IN ALASKA
12 TO THE EXTENT THAT ALASKA GOLD BULLION IS AVAILABLE IF IT CAN BE
13 OBTAINED AT A PRICE COMPARABLE TO OUT-OF-STATE SOURCES].

14 * Sec. 2. AS 39.35.110(a) is amended to read:

15 (a) When, in the opinion of the commissioner of administration,
16 there is on hand in the pension fund a surplus over and above a rea-
17 sonably safe amount to take care of current demands upon the fund, the
18 surplus, or so much of it as in the judgment of the commissioner of
19 administration is considered proper, may be invested at competitive
20 national market rates by the commissioner of revenue in

21 (1) [REPEALED

22 (2) REPEALED

23 (3) REPEALED

24 (4) REPEALED

25 (5)] shares of federally chartered savings and loan asso-
26 ciations in Alaska, to the extent that the investment is insured by
27 the federal government or an agency of the federal government;

28 (2) [(6)] deposits with mutual savings banks in Alaska, to
29 the extent that the investment is insured by the federal government or

1 an agency of the federal government;

2 (3) [(7)] deposits with state and national banks in Alaska
3 to the extent that the investment is insured by the federal government
4 or an agency of the federal government;

5 [(8) REPEALED]

6 (4) [(9)] the guaranteed portion of Small Business Adminis-
7 tration loans;

8 (5) [(10)] first lien real estate mortgages guaranteed by
9 the federal Veterans Administration;

10 (6) [(11)] notes secured by mortgages of commercial or
11 residential buildings if the mortgages are insured by a private mort-
12 gage insurance corporation that is authorized to do business in Alaska
13 and has combined capital, surplus and reserves aggregating at least
14 \$20,000,000; however,

15 (A) no mortgage insurance is necessary for commercial
16 loans having loan-to-value ratios of less than 50 percent and the
17 minimum coverage of other commercial loans shall be 10 percent
18 for those having a loan-to-value ratio of 50-60 percent and 15
19 percent for those having a loan-to-value ratio greater than 60
20 percent but no more than 75 percent, and

21 (B) no mortgage insurance is necessary for residential
22 loans having a loan-to-value ratio of less than 70 percent and
23 the minimum coverage of other residential loans shall be 10
24 percent for those having a loan-to-value ratio greater than 70
25 percent but less than 90 percent and 20 percent for those having
26 a loan- to-value ratio of 90 percent;

27 (7) [(12)] conventional residential mortgages if the orig-
28 inating financial institution retains at least 25 percent of the
29 mortgage for a minimum of two years;

1 (8) [(13)] notes secured by mortgages of commercial build-
2 ings if the originating financial institution retains at least 25
3 percent of the mortgage until maturity;

4 (9) [(14)] FHA guaranteed portion of business and indus-
5 trial loans made under the Rural Development Act of 1972;

6 [(15) REPEALED

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8 (10) [(17)] bankers' acceptances that are eligible for
9 discount at the Federal Reserve Bank and certificates of deposit
10 issued by United States domestic banks that [WHICH] are members of the
11 Federal Deposit Insurance Corporation if a generally recognized second-
12 ary market exists for the certificates of deposit;

13 (11) [(18)] obligations of, or obligations insured by or
14 guaranteed by, the United States or agencies or instrumentalities of
15 the United States;

16 (12) [(19)] obligations secured by reserves paid in by the
17 United States or agencies or instrumentalities of the United States or
18 obligations of corporations in which the United States is a share-
19 holder or member;

20 (13) [(20)] corporate debt securities with a minimum rating
21 of "A" or an equivalent rating by a nationally recognized rating
22 organization;

23 (14) [(21)] preferred and common stock of companies that
24 have paid dividends in each of the three years immediately preceding
25 the investment;

26 (15) [(22)] commercial paper bearing the highest rating of a
27 nationally recognized rating organization;

28 (16) [(23)] securities of foreign governments, foreign
29 governmental agencies, and foreign corporations the principal,

1 interest or dividends on which are payable in either United States
2 dollars or foreign currencies; however, investments under this para-
3 graph may not exceed 10 percent of the total investments of the pen-
4 sion fund; in making an investment under this paragraph, the commis-
5 sioner of revenue may not subject fund assets to risk of loss through
6 foreign currency exchange;

7 (17) [(24)] foreign time deposits of both United States-
8 owned and foreign-owned banks and trust companies denominated in
9 either United States dollars or foreign currencies; however, invest-
10 ments under this paragraph may not exceed 20 percent of the total
11 investments of the pension fund; in making an investment under this
12 paragraph, the commissioner of revenue may not subject assets of the
13 pension fund to risk of loss through foreign currency exchange

14 [(25) GOLD BULLION CERTIFIED AS TO FINENESS OF AT LEAST 99
15 1/2 PERCENT; HOWEVER, INVESTMENTS UNDER THIS PARAGRAPH MAY NOT EXCEED
16 10 PERCENT OF THE TOTAL INVESTMENTS OF THE PENSION FUND; THE COMMIS-
17 SIONER OF REVENUE SHALL PURCHASE GOLD BULLION PRODUCED IN ALASKA TO
18 THE EXTENT THAT ALASKA GOLD BULLION IS AVAILABLE IF IT CAN BE OBTAINED
19 AT A PRICE COMPARABLE TO OUT-OF-STATE SOURCES].

20 * Sec. 3. The provisions of this Act do not apply to investments in the
21 portfolios of the Public Employees' Retirement System or the Teachers'
22 Retirement System on the day before the effective date of this Act.