

BY THE FINANCE COMMITTEE

1 IN THE HOUSE

2

HOUSE BILL NO. 580

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to management and investment of
7 certain state funds; and providing for an effective
8 date."

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

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* Section 1. AS 14.25.035(d) is amended to read:

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(d) The commissioner of administration shall report to the board

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concerning the condition and administration of the system. The re-

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ports shall be distributed to the members of the system. The State

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Investment Board [COMMISSIONER OF REVENUE] shall provide reports to

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the board on the condition and investment performance of the teachers'

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retirement trust fund and an annual external performance review. The

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review must be complete, understandable, and presented in acceptable

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format according to industry patterns and customs.

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* Sec. 2. AS 14.25.180 is amended to read:

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Sec. 14.25.180. MANAGEMENT AND INVESTMENT OF FUND. (a) The

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State Investment Board [COMMISSIONER OF REVENUE] is the [TREASURER OF

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THE SYSTEM AND THE] fiduciary of the fund. In managing the fund, the

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State Investment Board [COMMISSIONER OF REVENUE] shall

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(1) consider the status of the fund's investments and the

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system's liabilities on both a current and a probable future basis;

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(2) determine the appropriate investment objectives for the

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fund;

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(3) establish investment policies aimed at achieving the

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objectives; and

1 (4) act only in regard to the best financial interests of
2 the system's beneficiaries.

3 (b) The State Investment Board [COMMISSIONER OF REVENUE] may
4 invest the fund on the basis of probable total rate of return without
5 regard to the distinction between principal and income or to the
6 generation of income.

7 (c) In carrying out investment duties under this chapter, the
8 State Investment Board [COMMISSIONER OF REVENUE] has the same powers
9 and duties in regard to the teacher's retirement trust fund as are
10 provided in AS 37.10.071, except that the standard of prudence that
11 the board [COMMISSIONER] must obey under AS 37.10.071(c) shall be in
12 regard to the management of large trust investments rather than large
13 investments.

14 * Sec. 3. AS 14.40.400(b) is amended to read:

15 (b) The State Investment Board [COMMISSIONER OF REVENUE] is the
16 fiduciary of the trust fund and shall account for and invest the fund
17 as set out in AS 37.14.110(c), 37.14.160, and 37.14.170, except that
18 the board [COMMISSIONER] shall report the condition and investment
19 performance of the fund to the Board of Regents.

20 * Sec. 4. AS 18.56.095(a) is amended to read:

21 (a) There is a special fund of the state to be known as the
22 "state mortgage insurance fund₁" referred to in this section as
23 [(CALLED) the "mortgage insurance fund₁" ()] which shall be completely
24 segregated and set apart from all other funds of the state, and which
25 is a trust fund for the uses and purposes of this section and into and
26 from which money shall be paid as provided in this section. The mort-
27 gage insurance fund shall be held by the State Investment Board [COM-
28 MISSIONER OF REVENUE], subject to the power of the commissioner of
29 commerce and economic development to enter into and perform agreements

1 with respect to the use of money in the mortgage insurance fund and to
2 pledge, assign, or grant interests in the mortgage insurance fund as
3 provided in this section. The commissioner of commerce and economic
4 development may enter into agreements with the corporation with re-
5 spect to the exercise of any power or approval relating to the mort-
6 gage insurance fund under this section, including, without limitation,
7 agreements as to the use of money in the mortgage insurance fund,
8 agreements with respect to the terms and conditions upon which pay-
9 ments from the mortgage insurance fund shall be made to the corpo-
10 ration with respect to mortgage loans insured under this section, and
11 agreements regarding the payment of and security for mortgage insur-
12 ance bonds, and in connection with these agreements the commissioner
13 of commerce and economic development may pledge, assign, or grant
14 other interests in the mortgage insurance fund to the corporation as
15 may be necessary or appropriate in connection with the insurance of
16 mortgage loans and to provide for the payment of and security for
17 mortgage insurance bonds. An [ANY SUCH] agreement or [ANY OF] the
18 rights of the corporation under the agreement and payments received or
19 to be received under the agreement may be pledged or assigned by the
20 corporation for the benefit of the holders of mortgage insurance
21 bonds.

22 * Sec. 5. AS 18.56.095(b) is amended to read:

23 (b) In addition to any other fees and charges that the corpo-
24 ration may charge on mortgage loans, it may collect or cause to be
25 collected on all mortgage loans made or purchased with the proceeds of
26 the sale of mortgage insurance bonds, either or both a special mort-
27 gage loan insurance commitment fee or a mortgage loan insurance pre-
28 mium. The special mortgage loan insurance commitment fees and special
29 mortgage loan insurance premiums when received shall be deposited in

1 the mortgage insurance fund by the corporation, or by any mortgage
2 loan servicer, trustee, or agent designated by the corporation to
3 receive them, and shall be held, invested and, together with all
4 investment income derived from them, reinvested by the State Invest-
5 ment Board [COMMISSIONER OF REVENUE] as set out in AS 37.10.071,
6 subject to any agreement with the corporation under (a) of this sec-
7 tion.

8 * Sec. 6. AS 22.25.048(c) is amended to read:

9 (c) The State Investment Board [COMMISSIONER OF REVENUE] is the
10 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund and has the
11 same powers and duties under this section in regard to the judicial
12 retirement trust fund as are provided in AS 14.25.180.

13 * Sec. 7. AS 26.05.228(c) is amended to read:

14 (c) The State Investment Board [COMMISSIONER OF REVENUE] is the
15 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund and has the
16 same powers and duties under this section in regard to the fund as are
17 provided under AS 14.25.180.

18 * Sec. 8. AS 36.30.850(b) is amended to read:

19 (b) This chapter applies to every expenditure of state money by
20 the state, acting through an agency, under a contract, except that
21 this chapter does not apply to

22 (1) grants;

23 (2) contracts for professional witnesses to provide for
24 professional services or testimony relating to existing or probable
25 lawsuits in which the state is or may become a party;

26 (3) contracts of the University of Alaska where the work is
27 to be performed substantially by students enrolled in the university;

28 (4) contracts for medical doctors and dentists;

29 (5) acquisitions or disposals of real property or interest

- 1 in real property, except as provided in AS 36.30.080;
- 2 (6) disposals under AS 38.05;
- 3 (7) contracts for the preparation of ballots under AS 15.-
4 15.030;
- 5 (8) acquisitions or disposals of property and other con-
6 tracts relating to airports under AS 02.15.070, 02.15.090, and 02.-
7 15.091;
- 8 (9) disposals of obsolete property under AS 19.05.060;
- 9 (10) disposals of obsolete material or equipment under
10 AS 35.20.060;
- 11 (11) agreements with providers of services under AS 44.47.-
12 250; AS 47.07; AS 47.08; AS 47.10; AS 47.17; AS 47.24; AS 47.25.195,
13 and 47.25.310;
- 14 (12) contracts of the Department of Fish and Game for
15 flights that involve specialized flying and piloting skills and are
16 not point-to-point;
- 17 (13) purchases of income-producing assets for the state
18 treasury or a public corporation of the state;
- 19 (14) operation of the state boarding school established
20 under AS 14.16, if the State Board of Education or the commissioner of
21 education adopts regulations for use by the state boarding school in
22 procurement and contracting;
- 23 (15) a contract that is a delegation, in whole or in part,
24 of investment powers held by the State Investment Board [COMMISSIONER
25 OF REVENUE] under AS 14.25.180, AS 14.40.400, AS 14.42.200, 14.42.210,
26 AS 18.56.095, AS 22.25.048, AS 26.05.228, AS 37.10.070, 37.10.071,
27 AS 37.14, or AS 39.35.080;
- 28 (16) a contract that is a delegation, in whole or in part,
29 of investment powers of the Board of Trustees of the Alaska Permanent

1 Fund Corporation under AS 37.13;

2 (17) the purchase of books, book binding services, newspa-
3 pers, periodicals, audio-visual materials, network information ser-
4 vices access, approval plans, professional memberships, archival
5 materials, objects of art, and items for museum or archival acquisi-
6 tion having cultural, historical, or archaeological significance; in
7 this paragraph

8 (A) "approval plans" means book selection services in
9 which current book titles meeting an agency's customized speci-
10 fications are provided to the agency subject to the right of the
11 agency to return those books that do not meet with the agency's
12 approval;

13 (B) "archival materials" means the noncurrent records
14 of an agency that are preserved after appraisal because of their
15 value;

16 (C) "audio-visual materials" means nonbook prerecorded
17 materials, including records, tapes, slides, transparencies,
18 films, filmstrips, cassettes, videos, compact discs, laser discs,
19 and items that require the use of equipment to render them us-
20 able;

21 (D) "network information services" means a group of
22 resources from which cataloging information, holdings records,
23 inter-library loans, acquisitions information, and other refer-
24 ence resources can be obtained;

25 (18) contracts for the purchase of standardized examinations
26 for licensure under AS 08;

27 (19) contracts for home health care and adult residential
28 and foster care services provided under regulations adopted by the
29 Department of Health and Social Services;

1 (20) contracts for supplies or services for research proj-
2 ects funded by money received from the federal government or private
3 grants; or

4 (21) guest speakers or performers for an educational or
5 cultural activity.

6 * Sec. 9. AS 37.05.540(d) is amended to read:

7 (d) The State Investment Board [DEPARTMENT OF REVENUE] shall
8 manage and invest assets of the budget reserve fund in the manner set
9 out for the management and investment of the assets of the general
10 fund under AS 37.10.070. Income from investment of the budget reserve
11 fund may be appropriated to the fund each year by law.

12 * Sec. 10. AS 37.10.070 is amended to read:

13 Sec. 37.10.070. INVESTMENT OF RESIDUAL MONEY. (a) The board
14 [COMMISSIONER] shall invest, as set out in AS 37.10.071, the money in
15 the state treasury above an amount sufficient to meet immediate expen-
16 diture needs. In managing the invested assets, the board [COMMIS-
17 SIONER] shall

18 (1) consider the status of the assets and liabilities on
19 both a current and a probable future basis;

20 (2) determine the appropriate investment objectives;

21 (3) establish investment policies to achieve the objec-
22 tives; and

23 (4) act only in regard to the best financial interests of
24 the state.

25 (b) The board [COMMISSIONER] may invest on the basis of probable
26 total rate of return without regard to the distinction between princi-
27 pal and income and without regard to the generation of income.

28 (c) In this section, "board" means the State Investment Board
29 ["COMMISSIONER" MEANS THE COMMISSIONER OF REVENUE].

1 * Sec. 11. AS 37.10.071 is amended to read:

2 Sec. 37.10.071. INVESTMENT POWERS AND DUTIES. (a) In making
3 investments under this section, the board [COMMISSIONER OF REVENUE]
4 shall

5 (1) act as official custodian of cash and investments by
6 securing adequate and safe custodial facilities for them;

7 (2) receive all items of cash and investments;

8 (3) collect and deposit the principal of and income from
9 owned or acquired investments;

10 (4) invest and reinvest the assets in accordance with this
11 section;

12 (5) receive and spend appropriations to cover the cost of
13 the exercise of duties under this section;

14 (6) exercise the powers of an owner with respect to the
15 assets;

16 (7) perform all acts, not prohibited by this section,
17 whether or not expressly authorized, that the board [COMMISSIONER]
18 considers necessary or proper in administering the assets;

19 (8) maintain accounting records in accordance with gener-
20 ally accepted [INVESTMENT] accounting principles;

21 (9) engage an independent certified public accountant to
22 conduct an annual audit of the financial condition and investment
23 transactions;

24 (10) enter into and enforce contracts or agreements con-
25 sidered necessary, convenient, or desirable for the investment pur-
26 poses of this section; and

27 (11) when choosing to acquire or dispose of investments,
28 secure competitive national or international market rates or prices,
29 or the equivalence of those rates or prices in the judgment of the

1 board [COMMISSIONER].

2 (b) Under this section, the board or the board's [COMMISSIONER
3 OR THE COMMISSIONER'S] designee may

4 (1) delegate investment, custodial, or depository authority
5 on a discretionary or nondiscretionary basis to officers or employees
6 of the state or to independent firms, banks, or trust companies, by
7 designation through appointments, contracts, or letters or authority;

8 (2) acquire or dispose of investments either directly,
9 indirectly, or through investment pools or trusts, by competitive or
10 negotiated agreements, contracts, or auctions, in public or private
11 markets;

12 (3) concentrate or diversify investments as the board
13 [COMMISSIONER] considers appropriate to increase the probable total
14 rate of return or to decrease the overall exposure to potentially
15 adverse market value risks;

16 (4) protect the market value or the rate of return of the
17 investments by entering into forward agreements to buy or sell assets
18 at a future date as a hedge against existing held assets or as a
19 precommitment of future cash flows;

20 (5) lend assets, under an agreement and for a fee, against
21 deposited collateral of equivalent market value;

22 (6) borrow assets on a short-term basis, under an agreement
23 and for a fee, against the deposit of collateral consisting of other
24 assets in order to accommodate temporary cash or investment needs;

25 (7) hold investments in bearer or registered form in the
26 name of the state, a fund, or nominees authorized by the board [COM-
27 MISSIONER];

28 (8) utilize consultants, advisors, custodians, investment
29 services, and legal counsel for assistance in investment matters on

1 either a continuing or a limited-term basis and with or without com-
2 pensation;

3 (9) declare records to be confidential and exempt from
4 AS 09.25.110 and 09.25.120 if the records contain information that
5 discloses the particulars of the business or the affairs of a private
6 enterprise, investor, borrower, advisor, consultant, counsel, or
7 manager.

8 (c) In exercising investment, custodial, or depository powers or
9 duties under this section, the board [COMMISSIONER] shall exercise the
10 judgment and care under the circumstances then prevailing that an
11 institutional investor of ordinary professional prudence, discretion,
12 and intelligence exercises in managing large investments with consid-
13 eration for the purpose of the fund, the investment objectives, the
14 continuing disposition of the fund's investments, and the probable
15 safety of the capital as well as the probable investment returns.

16 (d) In exercising investment, custodial, or depository powers or
17 duties under this section, the board or the board's [COMMISSIONER OR
18 A] designee [OF THE COMMISSIONER] is liable for a breach of a duty
19 that is assigned or delegated under this section, or under AS 14.25.-
20 180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, 37.-
21 14.170, or AS 39.35.080. However, the board or the board's [COMMIS-
22 SIONER OR THE COMMISSIONER'S] designee is not liable for a breach of a
23 duty that has been delegated to another person if the delegation is
24 prudent under the applicable standard of prudence set out in statute
25 or if the duty is assigned by law to another person, except to the
26 extent that the board [COMMISSIONER] or designee

27 (1) knowingly participates [PARTICIPATE] in, or knowingly
28 undertakes to conceal, an act or omission of another person, knowing
29 that the act or omission is a breach of that person's duties under

1 this chapter;

2 (2) by failure to comply with this section in the adminis-
3 tration of specific responsibilities, enables another person to commit
4 a breach of duty; or

5 (3) has knowledge of a breach of duty by another person,
6 unless the board [COMMISSIONER] or designee makes reasonable efforts
7 under the circumstances to remedy the breach.

8 (e) The state shall defend and indemnify the board [COMMIS-
9 SIONER] or an officer or employee of the state against liability under
10 (d) of this section to the extent that the alleged act or omission was
11 performed in good faith and was prudent under the applicable standard
12 of prudence.

13 (f) In this section, "board" ["COMMISSIONER OF REVENUE" OR
14 "COMMISSIONER"] means

15 (1) the State Investment Board [COMMISSIONER OF REVENUE]
16 for investments under AS 14.25.180 or AS 37.10.070; or

17 (2) the person or body provided by law to manage the in-
18 vestments, for investments not subject to AS 14.25.180 or AS 37.10.-
19 070.

20 * Sec. 12. AS 37.10 is amended by adding new sections to read:

21 ARTICLE 5. STATE INVESTMENT BOARD.

22 Sec. 37.10.210. STATE INVESTMENT BOARD. (a) There is estab-
23 lished in the Department of Revenue the State Investment Board. The
24 purpose of the board is to manage and invest, with the assistance of
25 the Department of Revenue, state funds and revenue.

26 (b) The board consists of seven members

27 (1) one member who is a member of the Teachers' Retirement
28 Board, nominated by that board and appointed by the governor;

29 (2) one member who is a member of the Public Employees'

1 Retirement Board, nominated by that board and appointed by the gover-
2 nor;

3 (3) one member who is a member of the Retirement Board
4 under AS 39.38.020, nominated by that board and appointed by the
5 governor;

6 (4) the commissioner of revenue;

7 (5) the commissioner of administration;

8 (6) two public members, appointed by the governor.

9 (c) The public members must have recognized competence and wide
10 experience in finance, investments, or other business management-
11 related fields. A public member may not hold another state or federal
12 office, position, or employment, either elective or appointive, except
13 as a member of the armed forces of either the United States or of this
14 state. The public members of the board shall be appointed for stag-
15 gered terms of six years and may be reappointed to the board.

16 (d) The governor may remove a public member of the board from
17 office. A removal by the governor must be in writing and must state
18 the reason for the removal. After a member receives written notice of
19 removal from the governor, the member may not participate in board
20 business and may not be counted for purposes of establishing a quorum.

21 (e) A vacancy on the board shall be promptly filled in the same
22 manner as the seat was originally filled. An appointee to a vacancy
23 holds office for the balance of the unexpired term of the appointee's
24 predecessor. A vacancy on the board does not impair the authority of
25 a quorum of the board to exercise all the powers and perform all the
26 duties of the board.

27 (f) The board shall annually elect a chair from among its mem-
28 bers.

29 (g) Four members of the board constitute a quorum for the

1 transaction of business and the exercise of the powers and duties of
2 the board.

3 (h) A member of the board may receive a per diem allowance and
4 transportation expenses in carrying out the duties set out in this
5 chapter. The public members may receive an honorarium established by
6 the board not to exceed \$400 a day.

7 Sec. 37.10.220. POWERS AND DUTIES OF THE BOARD. (a) The board
8 shall

9 (1) hold regular and special meetings at the call of the
10 chair or of at least four of the members;

11 (2) invest and manage all state funds whose investment and
12 management is not specifically provided for by another law;

13 (3) submit long-range and quarterly investment reports to
14 the Legislative Budget and Audit Committee;

15 (4) report to the governor and the legislature by Septem-
16 ber 30 of each year concerning the investment of state funds.

17 (b) The board may

18 (1) employ outside investment advisors to review investment
19 policies and make recommendations to the board;

20 (2) establish investment policies for the funds;

21 (3) engage independent certified public accountants to
22 audit the funds for which the board is responsible and to report to
23 the board with the results of the audit;

24 (4) contract with external performance evaluators to review
25 the performance of each fund managed or invested by the board and
26 report to the board and to the other boards directly responsible for
27 the activities supported by the fund on the fund's condition;

28 (5) do all acts necessary, convenient, or desirable to
29 carry out the powers expressly granted or necessarily implied in this

1 chapter.

2 Sec. 37.10.230. CONFLICTS OF INTEREST. (a) Members of the
3 board are subject to the provisions of AS 39.50.

4 (b) If a member of the board or an employee of the board ac-
5 quires, owns, or controls an interest, direct or indirect, in an
6 entity or project in which assets under the control of the board are
7 invested, the member shall immediately disclose the interest to the
8 board. The disclosure is a matter of public record and shall be
9 included in the minutes of the board meeting next following the dis-
10 closure.

11 Sec. 37.10.240. REGULATIONS. The board may adopt regulations
12 under the Administrative Procedure Act (AS 44.62).

13 Sec. 37.10.250. INVESTMENT BY PERMANENT FUND. The board may
14 request the Board of Trustees of the Alaska Permanent Fund Corpora-
15 tion, under AS 37.13.125 to manage and invest all or part of the
16 assets of a retirement system under AS 14.25, AS 22.25, AS 26.05.222 -
17 26.05.229, and AS 39.35 for a limited period of time.

18 * Sec. 13. AS 37.13 is amended by adding a new section to read:

19 Sec. 37.13.125. ASSETS OF RETIREMENT SYSTEMS. If requested by
20 the State Investment Board under AS 37.10.250, the board may manage
21 and invest all or part of the assets of a state retirement system for
22 a limited period of time. The board may impose conditions to its
23 acceptance of the responsibility. The board shall comply with AS 37.-
24 13.120 in the investment of the assets and shall separately account
25 for the earnings of the assets.

26 * Sec. 14. AS 37.14.110(c) is amended to read:

27 (c) The State Investment Board [COMMISSIONER OF REVENUE] shall
28 account for the fund in accordance with generally accepted accounting
29 principles and shall determine the net income of the fund [IN

1 ACCORDANCE WITH INVESTMENT ACCOUNTING PRINCIPLES AND] in a manner that
2 preserves the distinction between principal and income and that ex-
3 cludes capital gains or losses realized on principal. The principal
4 of the fund and the capital gains or losses realized on principal
5 shall be perpetually retained in the fund for investment purposes.

6 * Sec. 15. AS 37.14.140 is amended to read:

7 Sec. 37.14.140. UTILIZATION OF INCOME. The net income of the
8 fund may not be appropriated for a purpose other than the support of
9 the state public school program. The State Investment Board [COM-
10 MISSIONER OF REVENUE] shall invest realized net income that has not been
11 appropriated or that has been appropriated but not expended until the
12 income is appropriated and expended.

13 * Sec. 16. AS 37.14.160 is amended to read:

14 Sec. 37.14.160. DUTIES OF THE STATE INVESTMENT BOARD [COM-
15 MISSIONER OF REVENUE]. The State Investment Board [COMMISSIONER OF
16 REVENUE] is the treasurer of the trust fund created in AS 37.14.110
17 and shall

18 (1) exercise the powers and duties established in AS 14.-
19 25.180(c);

20 (2) deposit the principal and income from investments in
21 separate principal and income accounts for the fund;

22 (3) invest and maintain accounting records that distinguish
23 between the principal and income of the fund;

24 (4) provide reports to the board established under AS 37.-
25 14.120 on the condition and investment performance of the fund.

26 * Sec. 17. AS 37.14.170 is amended to read:

27 Sec. 37.14.170. INVESTMENTS. The State Investment Board [COM-
28 MISSIONER OF REVENUE] is the fiduciary of the trust fund and shall
29 invest the fund to provide increasing net income over long-term

1 periods to the fund's income beneficiaries. The board [COMMISSIONER]
2 may invest the money in the fund on the basis of probable total rate
3 of return to promote the long-term generation of income. In managing
4 the trust fund, the board [COMMISSIONER] shall

5 (1) consider the status of the fund's capital and the
6 income generated on both a current and a probable future basis;

7 (2) determine the appropriate investment objectives;

8 (3) establish investment policies to achieve the objec-
9 tives; and

10 (4) act only in regard to the financial interests of the
11 fund's beneficiaries.

12 * Sec. 18. AS 37.14.200(c) is amended to read:

13 (c) The net income of the fund shall be determined by the State
14 Investment Board [COMMISSIONER OF REVENUE] in accordance with gener-
15 ally accepted [INVESTMENT] accounting principles. However, the board
16 shall preserve [AND IN A MANNER THAT PRESERVES] the distinction be-
17 tween principal and income.

18 * Sec. 19. AS 37.14.210 is amended to read:

19 Sec. 37.14.210. POWERS AND DUTIES OF THE STATE INVESTMENT BOARD
20 [COMMISSIONER OF REVENUE]. The State Investment Board [COMMISSIONER
21 OF REVENUE] is the fiduciary [TREASURER] of the fund and has the power
22 and duty to:

23 (1) act as official custodian of the cash and investments
24 belonging to the fund by securing adequate and safe custodial facil-
25 ities;

26 (2) receive all items of cash and investments belonging to
27 the fund;

28 (3) collect the principal and income from investments owned
29 or acquired by the fund and deposit the amounts in separate principal

- 1 and income accounts for the fund;
- 2 (4) invest and reinvest the assets of the fund as provided
3 in this section and as provided for the investment of funds under
4 AS 14.25.180(c) and AS 37.14.170;
- 5 (5) exercise the powers of an owner with respect to the
6 assets of the fund;
- 7 (6) maintain accounting records of the fund in accordance
8 with generally accepted [INVESTMENT] accounting principles; however,
9 the board shall preserve the [AND WITH] distinction between the prin-
10 cipal and income accounts of the fund;
- 11 (7) engage an independent firm of certified public accoun-
12 tants to annually audit the financial condition of the fund's invest-
13 ments and investment transactions;
- 14 (8) enter into and enforce contracts or agreements con-
15 sidered necessary for the investment purposes of the fund;
- 16 (9) report to the board the condition and investment per-
17 formance of the fund;
- 18 (10) do all acts, whether or not expressly authorized, that
19 the State Investment Board [COMMISSIONER OF REVENUE] considers neces-
20 sary or proper in administering the assets of the fund.

21 * Sec. 20. AS 39.30.095(d) is amended to read:

22 (d) If the commissioner of administration determines that there
23 is more money in the fund than the amount needed to pay premiums or
24 benefits for the current fiscal year, the surplus, or so much of it as
25 the commissioner of administration considers advisable, may be in-
26 vested by the State Investment Board [COMMISSIONER OF REVENUE] in the
27 same manner as retirement funds are invested under AS 14.25.180.

28 * Sec. 21. AS 39.30 is amended by adding a new section to read:

29 Sec. 39.30.175. INVESTMENT OF BENEFIT PROGRAM RECEIPTS. The

1 State Investment Board is the fiduciary of the receipts of the employ-
2 ee benefits program established under AS 39.30.150 - 39.30.180 and has
3 the same powers and duties concerning the management and investment in
4 regard to those receipts as are provided under AS 14.25.180.

5 * Sec. 22. AS 39.35.020 is amended to read:

6 Sec. 39.35.020. ADMINISTRATION. The commissioner of administra-
7 tion is responsible for the administration of the system and for
8 carrying out this chapter. In addition the commissioner shall

9 (1) maintain the accounts of the system;

10 (2) make payments for the various purposes specified;

11 (3) submit periodic reports or statements of account that
12 are needed;

13 (4) issue a statement of account to an employee requesting
14 it showing the amount of the employee's contributions to the system;

15 (5) as soon as possible after the close of each fiscal
16 year, and not later than six months after the close of each fiscal
17 year, send to the governor, the legislature, and the board an annual
18 statement on the operations of the system containing

19 (A) a balance sheet;

20 (B) a statement of income and expenditures for the
21 year;

22 (C) a report on an actuarial valuation of its assets
23 and liabilities;

24 (D) a summary of assets held in the pension fund
25 listed by the categories of investment, as provided by the State
26 Investment Board [COMMISSIONER OF REVENUE];

27 (E) other statistical financial data that are neces-
28 sary for a proper understanding of the financial condition of the
29 system and the result of its operations;

1 (6) establish a public employees retirement trust fund in
2 which the assets of the system shall be deposited and held;

3 (7) engage an independent certified public accountant to
4 conduct an annual audit of the system's accounts and the annual report
5 of the system's financial condition and activity;

6 (8) report to the board concerning the condition and admin-
7 istration of the system and distribute the report to the members of
8 the system.

9 * Sec. 23. AS 39.35.080 is amended to read:

10 Sec. 39.35.080. DUTIES OF THE STATE INVESTMENT BOARD [COMMISS-
11 SIONER OF REVENUE]. The State Investment Board [COMMISSIONER OF
12 REVENUE] is the [TREASURER OF THE SYSTEM AND THE] fiduciary of the
13 fund. The board [COMMISSIONER] has the same powers and duties estab-
14 lished under this chapter in regard to the fund as are provided in
15 AS 14.25.035(d) and 14.25.180.

16 * Sec. 24. AS 39.45.030(a) is amended to read:

17 (a) The State Investment Board [ADMINISTRATOR OF THE STATE OR
18 POLITICAL SUBDIVISION DEFERRED COMPENSATION PROGRAM] is authorized,
19 subject to contracts with individual employees, to invest the funds
20 held under a deferred compensation program in

21 (1) fixed and variable life insurance and annuity contracts
22 or other contracts issued by life insurance companies;

23 (2) shares of or deposits in insured state or federal
24 chartered credit unions in the state;

25 (3) shares of or deposits in insured state or federal
26 chartered savings and loan associations in the state;

27 (4) deposits in insured mutual savings banks in the state;

28 (5) deposits in insured state and national banks in the
29 state; and

1 (6) multi-employer trusts established for investment of
2 deferred compensation assets of state and local governments.

3 * Sec. 25. AS 39.50.200(b) is amended by adding a new paragraph to
4 read:

5 (50) State Investment Board (AS 37.10.210).

6 * Sec. 26. AS 43.23.015(e) is amended to read:

7 (e) If a public agency claims a permanent fund dividend on
8 behalf of an individual, the public agency shall hold the dividend in
9 trust for the individual. Money held in trust under this subsection
10 shall be invested by the State Investment Board under [COMMISSIONER IN
11 ACCORDANCE WITH] AS 37.10.070.

12 * Sec. 27. AS 43.23.045(a) is amended to read:

13 (a) The dividend fund is established as a separate fund in the
14 state treasury. The dividend fund shall be administered by the com-
15 missioner and shall be invested by the State Investment Board [COMMIS-
16 SIONER] in the same manner as provided in AS 37.10.070.

17 * Sec. 28. AS 44.25.020 is amended to read:

18 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue
19 shall

20 (1) enforce the tax laws of the state;

21 (2) collect, account for, and have custody of [, INVEST,
22 AND MANAGE] all state funds and all revenues of the state except
23 revenues incidental to a program of licensing and regulation carried
24 on by another state department;

25 (3) register cattle brands;

26 (4) supply necessary clerical and administrative services
27 for the Alcoholic Beverage Control Board and the State Investment
28 Board; and

29 (5) implement the investment and management policies and

1 directives of the State Investment Board [INVEST AND MANAGE THE BAL-
2 ANCE OF THE POWER DEVELOPMENT FUND IN ACCORDANCE WITH AS 44.83.386].

3 * Sec. 29. AS 44.83.386 is amended to read:

4 Sec. 44.83.386. INVESTMENT OF FUND. The State Investment Board
5 [DEPARTMENT OF REVENUE] shall invest the money in the fund in accor-
6 dance with AS 37.10.070, 37.10.071, and 37.10.075. The board [DEPART-
7 MENT OF REVENUE] shall provide money in the fund to the authority only
8 after costs have been incurred or amounts in the fund have been other-
9 wise obligated under contracts for the acquisition and construction of
10 a project. Amounts that have been obligated, but for which costs have
11 not yet been incurred, may be segregated by the Department of Revenue
12 or transferred to the authority only with the prior approval or agree-
13 ment of the commissioner of revenue. Income received on money that is
14 segregated or transferred under this section must be deposited in the
15 general fund.

16 * Sec. 30. AS 46.11.050(b) is amended to read:

17 (b) A [AFTER DECEMBER 31, 1980, A] financial institution that
18 makes home mortgage loans with money provided to it by the State
19 Investment Board [COMMISSIONER OF REVENUE] from surplus state general
20 fund investments authorized by AS 37.10.070, or a state agency that
21 [WHICH] makes a direct home mortgage loan to an applicant, shall
22 include estimated heating and lighting costs as determined by an
23 energy audit in standard principal, interest, taxes and insurance
24 calculation of the cost of buying a housing unit. An applicant for a
25 home mortgage loan shall provide the financial institution or the
26 state agency with a copy of an energy audit.

27 * Sec. 31. TRANSITION. All litigation, hearings, investigations, and
28 other proceedings pending under a law amended or repealed by this Act, or
29 in connection with functions transferred by this Act, continue in effect

1 and may be continued and completed notwithstanding a transfer, amendment,
2 or repeal provided for in this Act. Orders and regulations issued or
3 adopted under authority of a law amended or repealed by this Act remain in
4 effect for the term issued, or until revoked, vacated, or otherwise mod-
5 ified under the provisions of this Act. All contracts, rights, liabilities
6 and obligations created by or under a law amended or repealed by this Act,
7 and in effect on the effective date of this Act, remain in effect notwith-
8 standing this Act's taking effect. Records, equipment, and other property
9 of agencies of the state whose functions are transferred under this Act
10 shall be transferred commensurate with the provisions of this Act.

11 * Sec. 32. The State Investment Board may hold organizational meetings
12 as soon as a quorum of the board has been appointed to or selected for the
13 board.

14 * Sec. 33. This Act takes effect only if an Act enacted by the
15 Sixteenth Alaska State Legislature creating a defined contribution plan for
16 the retirement of public employees becomes law.

17 * Sec. 34. If the condition described in sec. 33 occurs, AS 37.10.210,
18 37.10.230, and 37.10.240, enacted by sec. 12 of this Act, and sec. 32 of
19 this Act take effect immediately under AS 01.10.070(c).

20 * Sec. 35. Except for those provisions that take effect under sec. 34
21 of this Act, if the conditions described in sec. 33 occur, this Act takes
22 effect January 1, 1991.