

Original sponsor(s): Finance Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 580 (Finance)

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."

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

10 \* Section 1. AS 37.10 is amended by adding new sections to read:

11 ARTICLE 5. ALASKA STATE INVESTMENT CORPORATION.

12 Sec. 37.10.210. ALASKA STATE INVESTMENT CORPORATION. (a) There  
13 is established the Alaska State Investment Corporation. The corpo-  
14 ration is a public corporation and government instrumentality in the  
15 Department of Revenue managed by a board of directors. The purpose of  
16 the corporation is to provide professional management and investment  
17 of state trust funds and other state funds upon agreement with the  
18 managers of those funds.

19 (b) The board consists of seven voting members:

20 (1) one member, nominated by the Teachers' Retirement Board  
21 and appointed by the governor, who is a member of the teachers' re-  
22 tirement system;

23 (2) one member, nominated by the Public Employees' Retire-  
24 ment Board and appointed by the governor, who is a member of the  
25 public employees' retirement system;

26 (3) one member, nominated by the Teachers' Retirement Board  
27 and by the Public Employees' Retirement Board and appointed by the  
28 governor;

29 (4) two public members, appointed by the governor;

1           (5) two professional institutional investors, selected by  
2 the other board members.

3           (c) The commissioner of administration and the commissioner of  
4 revenue serve on the board as nonvoting members.

5           (d) The members must have recognized competence and wide exper-  
6 ience in finance, investments, or other business management-related  
7 fields. The professional institutional investors must have recognized  
8 competence and wide experience in managing institutional investment  
9 portfolios.

10           (e) The members appointed under (b) of this section shall be  
11 appointed for staggered terms of three years and may be reappointed to  
12 the board.

13           (f) Members of the board serve at the pleasure of the governor.  
14 A board member's removal by the governor must be in writing. After a  
15 member receives written notice of removal from the governor, the  
16 member may not participate in board business and may not be counted  
17 for purposes of establishing a quorum.

18           (g) Members serving as professional institutional investors may  
19 not hold another compensated state office, position, or employment,  
20 either elective or appointive, except as a member of the armed forces  
21 of the state.

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

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

1 (j) Four voting members of the board constitute a quorum for the  
2 transaction of business and the exercise of the powers and duties of  
3 the board.

4 (k) A board member may not designate another person to serve on  
5 the board in the absence of the member.

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

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

10 (2) establish investment policies for the funds for which  
11 it is responsible;

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

14 (4) report to the governor and the legislature by Septem-  
15 ber 30 of each year concerning the investment of state funds including  
16 financial and investment policies established by the board;

17 (5) contract with external performance evaluators to review  
18 the performance of each fund managed or invested by the corporation  
19 and report each year to the board and to the other boards directly  
20 responsible for the activities supported by the fund on the fund's  
21 condition;

22 (6) engage independent certified public accountants to  
23 prepare an annual audit of each of the funds for which the corporation  
24 is responsible and to report to the board with the results of the  
25 audit.

26 (b) The board may

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

29 (2) employ legal counsel;

1           (3) enter into an agreement with the manager of another  
2 state fund to assume fiduciary, administrative, or management respon-  
3 sibilities for investing the other state fund; an agreement under this  
4 paragraph may not be for a term longer than three years but may be  
5 renewed;

6           (4) do all acts necessary, convenient, or desirable to  
7 carry out the powers expressly granted or necessarily implied in this  
8 chapter.

9           Sec. 37.10.230. CONFLICTS OF INTEREST. (a) Members of the  
10 board and the executive director are subject to the provisions of  
11 AS 39.50.

12           (b) If a member of the board or an employee of the corporation  
13 acquires, owns, or controls an interest, direct or indirect, in an  
14 entity or project in which assets under the control of the corporation  
15 are invested, the member shall immediately disclose the interest to  
16 the board. The disclosure is a matter of public record and shall be  
17 included in the minutes of the board meeting next following the dis-  
18 closure.

19           Sec. 37.10.240. REGULATIONS. The board may adopt rules and  
20 by-laws after giving reasonable public notice. The board is exempt  
21 from the Administrative Procedure Act (AS 44.62).

22           Sec. 37.10.250. COMPENSATION OF BOARD MEMBERS. Members of the  
23 board other than members who are state employees receive an honorarium  
24 of \$400 for each day spent at a meeting of the board or at a meeting  
25 of a subcommittee of the board or at a public meeting as a represen-  
26 tative of the board. Members of the board are entitled to per diem  
27 and travel allowances as provided for members of state boards and  
28 commissions under AS 39.20.180. The board may provide a monthly fee  
29 to the professional investor members not to exceed \$1,000. This fee,

1 if any, is in addition to the daily honorarium.

2 Sec. 37.10.260. STAFF. (a) The board shall employ an executive  
3 director. The executive director must be qualified by training and  
4 experience to manage, administer, and direct the investment of funds.  
5 The board shall fix the compensation of the executive director. The  
6 executive and administrative functions of the board are vested in the  
7 executive director who serves under the supervision of the board. The  
8 executive director shall appoint employees of the corporation as  
9 necessary.

10 (b) The board shall appoint an investment director to serve  
11 under the executive director and to act as assistant director. How-  
12 ever, if the office of investment director is vacant, the executive  
13 director may temporarily designate the assistant director. The assis-  
14 tant director shall act in place of the executive director in the  
15 absence or disability of the executive director.

16 (c) The board shall adopt regulations that restrict the execu-  
17 tive director, investment directors, other officers, and employees  
18 from having financial interest, directly or indirectly, in firms or  
19 corporations that provide services to the corporation. Officers and  
20 employees of the corporation are subject to AS 39.52.

21 (d) The executive director and each investment director shall  
22 file a bond for the faithful performance of duties in the amount and  
23 with the sureties as required by the board.

24 (e) Officers and employees of the corporation are members of the  
25 exempt service under AS 39.25.110.

26 (f) A deed, contract, or other document that must be executed by  
27 or on behalf of the corporation shall be signed by the executive  
28 director.

29 Sec. 37.10.270. INSURANCE. The corporation shall protect

1        trusted assets and its own assets, services, and employees by pur-  
2        chasing insurance or providing for self-insurance retentions in  
3        amounts recommended by the executive director and approved by the  
4        board to cover the acts, including fiduciary acts, errors, and omis-  
5        sions of its board members, officers, employees, and agents. Insur-  
6        ance shall protect the corporation and the state from liability to  
7        others and from loss of trustee assets and assets of the corporation.

8        Sec. 37.10.280. EXEMPTION FROM TAXATION. The corporation and  
9        all properties at any time owned by it, managed by it, or held by it  
10       in trust, and the income from those activities, are exempt from all  
11       taxes and assessments in the state. All security instruments issued  
12       by the corporation and income from them are exempt from all taxes and  
13       assessments in the state, including transfer taxes.

14       Sec. 37.10.290. SURETY FOR DEPOSITS WITH BANKS. Banks, trust  
15       companies, savings banks, and other persons carrying on a banking  
16       business are authorized to give sureties to the corporation. The  
17       sureties shall be approved by the corporation to the effect that the  
18       banks or banking institutions shall faithfully keep and pay over to  
19       the order of or upon the warrant of the corporation or its authorized  
20       agent all money deposited with them by the corporation and agreed  
21       interest, at the times or upon the demands agreed on with the banks or  
22       banking institutions. In lieu of these sureties, a depository bank or  
23       other banking institution shall deposit with the corporation or its  
24       authorized agent or a trustee as collateral, securities approved by  
25       the corporation. The deposits of the corporation may be evidenced by  
26       agreements in the form and upon the terms and conditions that are  
27       agreed upon by the corporation and the depository banks or banking  
28       institutions.

29       Sec. 37.10.300. LIMITATIONS. The corporation may not engage in

1 commercial banking activity or private trust activity. The corpora-  
2 tion may not act as a depository or trustee for a private person,  
3 association, or corporation. The corporation may not act as a lender  
4 to a private person, association, or corporation of money from any  
5 source except state funds under management by the corporation.

6 Sec. 37.10.310. LIABILITY. (a) Except with respect to a writ-  
7 ten agreement authorized under (b) of this section, a liability in-  
8 curred by the corporation shall be satisfied exclusively from the  
9 assets or revenue of the corporation and a creditor or other person  
10 may not have a right of action against the state because of a debt,  
11 obligation, or liability of the corporation. A liability of the  
12 corporation may not be satisfied from trust assets unless expressly  
13 authorized by law.

14 (b) Notwithstanding any other law to the contrary, the corpora-  
15 tion may enter into a written agreement with a Federal Reserve Bank or  
16 the board of governors of the Federal Reserve System providing that,  
17 to the extent permitted by the contracts, trust agreements, or other  
18 fiduciary instruments between the corporation and the Federal Reserve  
19 System, the corporation's obligations to the Federal Reserve System  
20 shall be guaranteed by the state, and the state expressly waives all  
21 defenses of governmental immunity by and on behalf of the corporation  
22 and the state with respect to obligations to and from the Federal  
23 Reserve System and the state expressly consents to sue and be sued in  
24 federal court or in any court of competent jurisdiction. However,  
25 this provision does not alter or affect the immunity accorded to state  
26 officials and employees under state law.

27 Sec. 37.10.399. DEFINITIONS. In AS 37.10.210 - 37.10.399,  
28 unless the context otherwise requires,

29 (1) "board" means the board of directors of the

1 corporation;

2 (2) "corporation" means the Alaska State Investment Corpo-  
3 ration.

4 \* Sec. 2. AS 14.25.035(d) is amended to read:

5 (d) The commissioner of administration shall report to the board  
6 concerning the condition and administration of the system. The re-  
7 ports shall be distributed to the members of the system. The Alaska  
8 State Investment Corporation [COMMISSIONER OF REVENUE] shall provide  
9 reports to the board on the condition and investment performance of  
10 the teachers' retirement trust fund and an annual external performance  
11 review.

12 \* Sec. 3. AS 14.25.180 is amended to read:

13 Sec. 14.25.180. MANAGEMENT AND INVESTMENT OF FUND. (a) The  
14 Alaska State Investment Corporation [COMMISSIONER OF REVENUE] is the  
15 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund. In managing  
16 the fund, the Alaska State Investment Corporation [COMMISSIONER OF  
17 REVENUE] shall

18 (1) consider the status of the fund's investments and the  
19 system's liabilities on both a current and a probable future basis;

20 (2) determine the appropriate investment objectives for the  
21 fund;

22 (3) establish investment policies aimed at achieving the  
23 objectives; and

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

26 (b) The Alaska State Investment Corporation [COMMISSIONER OF  
27 REVENUE] may invest the fund on the basis of probable total rate of  
28 return without regard to the distinction between principal and income  
29 or to the generation of income.

1 (c) In carrying out investment duties under this chapter, the  
2 Alaska State Investment Corporation [COMMISSIONER OF REVENUE] has the  
3 same powers and duties in regard to the teacher's retirement trust  
4 fund as are provided in AS 37.10.071, except that the standard of  
5 prudence that the corporation [COMMISSIONER] must obey under AS 37.-  
6 10.071(c) shall be in regard to the management of large trust invest-  
7 ments rather than large investments.

8 \* Sec. 4. AS 14.40.400(b) is amended to read:

9 (b) The Alaska State Investment Corporation [COMMISSIONER OF  
10 REVENUE] is the fiduciary of the trust fund and shall account for and  
11 invest the fund as set out in AS 37.14.110(c), 37.14.160, and 37.14.-  
12 170, except that the corporation [COMMISSIONER] shall report the  
13 condition and investment performance of the fund to the Board of  
14 Regents.

15 \* Sec. 5. AS 22.25.048(c) is amended to read:

16 (c) The Alaska State Investment Corporation [COMMISSIONER OF  
17 REVENUE] is the [TREASURER OF THE SYSTEM AND THE] fiduciary of the  
18 fund and has the same powers and duties under this section in regard  
19 to the judicial retirement trust fund as are provided in AS 14.25.180.

20 \* Sec. 6. AS 26.05.228(c) is amended to read:

21 (c) The Alaska State Investment Corporation [COMMISSIONER OF  
22 REVENUE] is the [TREASURER OF THE SYSTEM AND THE] fiduciary of the  
23 fund and has the same powers and duties under this section in regard  
24 to the fund as are provided under AS 14.25.180.

25 \* Sec. 7. AS 36.30.015 is amended by adding a new subsection to read:

26 (f) The board of directors of the Alaska State Investment Corpo-  
27 ration shall adopt procedures to govern the procurement of supplies,  
28 services, professional services, and construction. The procedures  
29 must

1 (1) reflect competitive principles and provide vendors  
2 reasonable and equitable opportunities to participate in the procure-  
3 ment process; and

4 (2) include procurement methods to meet emergency and  
5 extraordinary circumstances.

6 \* Sec. 8. AS 36.30.990(1) is amended to read:

7 (1) "agency"

8 (A) means a department, institution, board, commis-  
9 sion, division, authority, public corporation, the Alaska Pio-  
10 neers' Home, or other administrative unit of the executive branch  
11 of state government;

12 (B) does not include

13 (i) [., EXCEPT FOR] the University of Alaska;

14 (ii) [.,] the Alaska State Housing Authority;

15 (iii) the [AND] Alaska Railroad Corporation;

16 (iv) the Alaska State Investment Corporation;

17 (v) [IT DOES NOT INCLUDE] a regional Native  
18 housing authority created under AS 18.55.996, or a regional  
19 electrical authority created under AS 18.57.020;

20 \* Sec. 9. AS 37.10.071 is amended to read:

21 Sec. 37.10.071. INVESTMENT POWERS AND DUTIES. (a) In making  
22 investments under this section, the fiduciary of a state fund [COMMIS-  
23 SIONER OF REVENUE] shall

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

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

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

29 (4) invest and reinvest the assets in accordance with this

1 section;

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

4 (6) exercise the powers of an owner with respect to the  
5 assets;

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

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

11 (9) engage an independent certified public accountant to  
12 conduct an annual audit of the financial condition and investment  
13 transactions;

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

17 (11) when choosing to acquire or dispose of investments,  
18 secure competitive national or international market rates or prices,  
19 or the equivalence of those rates or prices in the judgment of the  
20 fiduciary [COMMISSIONER].

21 (b) Under this section, the fiduciary of a state fund or the  
22 fiduciary's [COMMISSIONER OR THE COMMISSIONER'S] designee may

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

27 (2) acquire or dispose of investments either directly,  
28 indirectly, or through investment pools or trusts, by competitive or  
29 negotiated agreements, contracts, or auctions, in public or private

1 markets;

2 (3) concentrate or diversify investments as the fiduciary  
3 [COMMISSIONER] considers appropriate to increase the probable total  
4 rate of return or to decrease the overall exposure to potentially  
5 adverse market value risks;

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

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

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

15 (7) hold investments in bearer or registered form in the  
16 name of the state, a fund, or nominees authorized by the fiduciary  
17 [COMMISSIONER];

18 (8) utilize consultants, advisors, custodians, investment  
19 services, and legal counsel for assistance in investment matters on  
20 either a continuing or a limited-term basis and with or without com-  
21 pensation;

22 (9) declare records to be confidential and exempt from  
23 AS 09.25.110 and 09.25.120 if the records contain information that  
24 discloses the particulars of the business or the affairs of a private  
25 enterprise, investor, borrower, advisor, consultant, counsel, or  
26 manager.

27 (c) In exercising investment, custodial, or depository powers or  
28 duties under this section, the fiduciary of a state fund [COMMIS-  
29 SIONER] shall exercise the judgment and care under the circumstances

1 then prevailing that an institutional investor of ordinary profession-  
2 al prudence, discretion, and intelligence exercises in managing large  
3 investments with consideration for the purpose of the fund, the in-  
4 vestment objectives, the continuing disposition of the fund's invest-  
5 ments, and the probable safety of the capital as well as the probable  
6 investment returns.

7 (d) In exercising investment, custodial, or depository powers or  
8 duties under this section, the fiduciary or the fiduciary's [COMMIS-  
9 SIONER OR A] designee [OF THE COMMISSIONER] is liable for a breach of  
10 a duty that is assigned or delegated under this section, or under  
11 AS 14.25.180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.-  
12 160, 37.14.170, or AS 39.35.080. However, the fiduciary or the [COM-  
13 MISSIONER OR THE COMMISSIONER'S] designee is not liable for a breach  
14 of a duty that has been delegated to another person if the delegation  
15 is prudent under the applicable standard of prudence set out in stat-  
16 ute or if the duty is assigned by law to another person, except to the  
17 extent that the fiduciary [COMMISSIONER] or designee

18 (1) knowingly participates [PARTICIPATE] in, or knowingly  
19 undertakes to conceal, an act or omission of another person, knowing  
20 that the act or omission is a breach of that person's duties under  
21 this chapter;

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

25 (3) has knowledge of a breach of duty by another person,  
26 unless the fiduciary [COMMISSIONER] or designee makes reasonable  
27 efforts under the circumstances to remedy the breach.

28 (e) The state shall defend and indemnify the fiduciary [COMMIS-  
29 SIONER] or an officer or employee of the state against liability under

1 (d) of this section to the extent that the alleged act or omission was  
2 performed in good faith and was prudent under the applicable standard  
3 of prudence.

4 (f) In this section, "fiduciary of a state fund" or "fiduciary"  
5 ["COMMISSIONER OF REVENUE" OR "COMMISSIONER"] means

6 (1) the commissioner of revenue for investments under  
7 [AS 14.25.180 OR] AS 37.10.070; [OR]

8 (2) the Alaska State Investment Corporation for investments  
9 under AS 14.25.080; or

10 (3) the person or body provided by law to manage the in-  
11 vestments, for investments not subject to AS 14.25.180 or AS 37.10.-  
12 070.

13 \* Sec. 10. AS 37.14.110(c) is amended to read:

14 (c) The Alaska State Investment Corporation [COMMISSIONER OF  
15 REVENUE] shall account for the fund in accordance with generally  
16 accepted accounting principles and shall determine the net income of  
17 the fund [IN ACCORDANCE WITH INVESTMENT ACCOUNTING PRINCIPLES AND] in  
18 a manner that preserves the distinction between principal and income  
19 and that excludes capital gains or losses realized on principal. The  
20 principal of the fund and the capital gains or losses realized on  
21 principal shall be perpetually retained in the fund for investment  
22 purposes.

23 \* Sec. 11. AS 37.14.140 is amended to read:

24 Sec. 37.14.140. UTILIZATION OF INCOME. The net income of the  
25 fund may not be appropriated for a purpose other than the support of  
26 the state public school program. The Alaska State Investment Corpo-  
27 ration [COMMISSIONER OF REVENUE] shall invest realized net income that  
28 has not been appropriated or that has been appropriated but not ex-  
29 pended until the income is appropriated and expended.

1 \* Sec. 12. AS 37.14.160 is amended to read:

2 Sec. 37.14.160. DUTIES OF THE ALASKA STATE INVESTMENT CORPO-  
3 RATION [COMMISSIONER OF REVENUE]. The Alaska State Investment Corpo-  
4 ration [COMMISSIONER OF REVENUE] is the treasurer of the trust fund  
5 created in AS 37.14.110 and shall

6 (1) exercise the powers and duties established in AS 14.-  
7 25.180(c);

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

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

12 (4) provide reports to the board established under AS 37.-  
13 14.120 on the condition and investment performance of the fund.

14 \* Sec. 13. AS 37.14.170 is amended to read:

15 Sec. 37.14.170. INVESTMENTS. The Alaska State Investment  
16 Corporation [COMMISSIONER OF REVENUE] is the fiduciary of the trust  
17 fund and shall invest the fund to provide increasing net income over  
18 long-term periods to the fund's income beneficiaries. The corporation  
19 [COMMISSIONER] may invest the money in the fund on the basis of proba-  
20 ble total rate of return to promote the long-term generation of in-  
21 come. In managing the trust fund, the corporation [COMMISSIONER]  
22 shall

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

25 (2) determine the appropriate investment objectives;

26 (3) establish investment policies to achieve the objec-  
27 tives; and

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

1 \* Sec. 14. AS 37.14.200(c) is amended to read:

2 (c) The net income of the fund shall be determined by the Alaska  
3 State Investment Corporation [COMMISSIONER OF REVENUE] in accordance  
4 with generally accepted [INVESTMENT] accounting principles. However,  
5 the corporation shall preserve [AND IN A MANNER THAT PRESERVES] the  
6 distinction between principal and income.

7 \* Sec. 15. AS 37.14.210 is amended to read:

8 Sec. 37.14.210. POWERS AND DUTIES OF THE ALASKA STATE INVESTMENT  
9 CORPORATION [COMMISSIONER OF REVENUE]. The Alaska State Investment  
10 Corporation [COMMISSIONER OF REVENUE] is the fiduciary [TREASURER] of  
11 the fund and has the power and duty to:

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

15 (2) receive all items of cash and investments belonging to  
16 the fund;

17 (3) collect the principal and income from investments owned  
18 or acquired by the fund and deposit the amounts in separate principal  
19 and income accounts for the fund;

20 (4) invest and reinvest the assets of the fund as provided  
21 in this section and as provided for the investment of funds under  
22 AS 14.25.180(c) and AS 37.14.170;

23 (5) exercise the powers of an owner with respect to the  
24 assets of the fund;

25 (6) maintain accounting records of the fund in accordance  
26 with generally accepted [INVESTMENT] accounting principles; however,  
27 the corporation shall preserve the [AND WITH] distinction between the  
28 principal and income accounts of the fund;

29 (7) engage an independent firm of certified public

1 accountants to annually audit the financial condition of the fund's  
2 investments and investment transactions;

3 (8) enter into and enforce contracts or agreements con-  
4 sidered necessary for the investment purposes of the fund;

5 (9) report to the board the condition and investment per-  
6 formance of the fund;

7 (10) do all acts, whether or not expressly authorized, that  
8 the Alaska State Investment Corporation [COMMISSIONER OF REVENUE]  
9 considers necessary or proper in administering the assets of the fund.

10 \* Sec. 16. AS 39.30.095(d) is amended to read:

11 (d) If the commissioner of administration determines that there  
12 is more money in the fund than the amount needed to pay premiums or  
13 benefits for the current fiscal year, the surplus, or so much of it as  
14 the commissioner of administration considers advisable, may be in-  
15 vested by the Alaska State Investment Corporation [COMMISSIONER OF  
16 REVENUE] in the same manner as retirement funds are invested under  
17 AS 14.25.180.

18 \* Sec. 17. AS 39.25.110(11) is amended by adding a new subparagraph to  
19 read:

20 (G) Alaska State Investment Corporation;

21 \* Sec. 18. AS 39.30 is amended by adding a new section to read:

22 Sec. 39.30.175. INVESTMENT OF BENEFIT PROGRAM RECEIPTS. The  
23 Alaska State Investment Corporation is the fiduciary of the receipts  
24 of the employee benefits program established under AS 39.30.150 -  
25 39.30.180 and has the same powers and duties concerning the management  
26 and investment in regard to those receipts as are provided under  
27 AS 14.25.180.

28 \* Sec. 19. AS 39.35.020 is amended to read:

29 Sec. 39.35.020. ADMINISTRATION. The commissioner of

1 administration is responsible for the administration of the system and  
2 for carrying out this chapter. In addition the commissioner shall

3 (1) maintain the accounts of the system;

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

5 (3) submit periodic reports or statements of account that  
6 are needed;

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

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

13 (A) a balance sheet;

14 (B) a statement of income and expenditures for the  
15 year;

16 (C) a report on an actuarial valuation of its assets  
17 and liabilities;

18 (D) a summary of assets held in the pension fund  
19 listed by the categories of investment, as provided by the Alaska  
20 State Investment Corporation [COMMISSIONER OF REVENUE];

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

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

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

29 (8) report to the board concerning the condition and

1 administration of the system and distribute the report to the members  
2 of the system.

3 \* Sec. 20. AS 39.35.080 is amended to read:

4 Sec. 39.35.080. DUTIES OF THE ALASKA STATE INVESTMENT CORPO-  
5 RATION [COMMISSIONER OF REVENUE]. The Alaska State Investment Corpo-  
6 ration [COMMISSIONER OF REVENUE] is the [TREASURER OF THE SYSTEM AND  
7 THE] fiduciary of the fund. The corporation [COMMISSIONER] has the  
8 same powers and duties established under this chapter in regard to the  
9 fund as are provided in AS 14.25.035(d) and 14.25.180.

10 \* Sec. 21. AS 39.45.020 is amended by adding a new subsection to read:

11 (d) The Alaska State Investment Corporation shall select the  
12 vendor through which participants in the state deferred compensation  
13 program are offered investment and benefit choices. The administrator  
14 of the state deferred compensation program may request the Alaska  
15 State Investment Corporation to substitute for the administrator as  
16 fiduciary of the funds held under the state deferred compensation  
17 program. If the corporation accepts responsibility for investing the  
18 funds under AS 37.10.220(b), the corporation shall comply with AS 39.-  
19 45.030.

20 \* Sec. 22. AS 39.50.200(b) is amended by adding a new paragraph to  
21 read:

22 (50) Alaska State Investment Corporation (AS 37.10.210).

23 \* Sec. 23. AS 44.25.020 is amended to read:

24 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue  
25 shall

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

27 (2) collect, account for, have custody of, invest, and  
28 manage all state funds and all revenues of the state except revenues  
29 incidental to a program of licensing and regulation carried on by

1 another state department and funds managed and invested by the Alaska  
2 State Investment Corporation;

3 (3) register cattle brands;

4 (4) supply necessary clerical and administrative services  
5 for the Alcoholic Beverage Control Board; and

6 (5) invest and manage the balance of the power development  
7 fund in accordance with AS 44.83.386.

8 \* Sec. 24. TRANSITION. All litigation, hearings, investigations, and  
9 other proceedings pending under a law amended or repealed by this Act, or  
10 in connection with functions transferred by this Act, continue in effect  
11 and may be continued and completed notwithstanding a transfer, amendment,  
12 or repeal provided for in this Act. Orders and regulations issued or  
13 adopted under authority of a law amended or repealed by this Act remain in  
14 effect for the term issued, or until revoked, vacated, or otherwise mod-  
15 ified under the provisions of this Act. All contracts, rights, liabilities  
16 and obligations created by or under a law amended or repealed by this Act,  
17 and in effect on the effective date of this Act, remain in effect notwith-  
18 standing this Act's taking effect. Records, equipment, and other property  
19 of agencies of the state whose functions are transferred under this Act  
20 shall be transferred commensurate with the provisions of this Act.

21 \* Sec. 25. (a) Notwithstanding AS 37.10.210(e), enacted by sec. 1 of  
22 this Act, the initial terms of the voting members of the board of directors  
23 of the Alaska State Investment Corporation shall be as follows:

24 (1) one member nominated by a state retirement board, one  
25 professional investor, and one public member shall serve terms of three  
26 years;

27 (2) one member nominated by a state retirement board and one  
28 professional investor shall serve terms of two years;

29 (3) one member nominated by a state retirement board and one

1 public member shall serve one-year terms.

2 (b) The board of directors of the Alaska State Investment Corporation  
3 may hold organizational meetings as soon as a quorum of the board has been  
4 appointed to or selected for the board.

5 \* Sec. 26. AS 37.10.210 and 37.10.230 - 37.10.399, enacted by sec. 1 of  
6 this Act, and sec. 25 of this Act take effect immediately under AS 01.-  
7 10.070(c).

8 \* Sec. 27. Except as provided in sec. 26 of this Act, this Act takes  
9 effect January 1, 1991.