

Amended: 4/23/90  
Offered: 4/18/90  
Referred: Rules

6-2313E

Original sponsor(s): Finance Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 580 (Finance) am  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska State Investment  
7 Corporation; relating to management and investment of  
8 funds of the teachers' retirement system, University  
9 of Alaska fund for money from the sale or lease of  
10 land granted by Congress, judicial retirement system,  
11 Alaska National Guard and Alaska Naval Militia re-  
12 tirement system, public school trust fund, Alaska  
13 children's trust fund, group health and life benefits  
14 fund, supplemental employee benefits program, public  
15 employees' retirement system, public employees'  
16 deferred contribution program; requiring that certain  
17 accounting records be maintained in accordance with  
18 generally accepted accounting principles; and provid-  
19 ing for an effective date."

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

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

22 ARTICLE 5. ALASKA STATE INVESTMENT CORPORATION.

23 Sec. 37.10.210. ALASKA STATE INVESTMENT CORPORATION. (a) There  
24 is established the Alaska State Investment Corporation. The corpo-  
25 ration is a public corporation and government instrumentality in the  
26 Department of Revenue managed by a board of directors. The purpose of  
27 the corporation is to provide professional management and investment  
28 of state trust funds and other state funds upon agreement with the  
29 managers of those funds.

1 (b) The board consists of nine voting members:

2 (1) one member who is a member of the teachers' retirement  
3 system appointed by the governor from three nominees nominated for the  
4 position by the Teachers' Retirement Board;

5 (2) one member who is a member of the public employees'  
6 retirement system appointed by the governor from three nominees nomi-  
7 nated for the position by the Public Employees' Retirement Board;

8 (3) one member, who is an employee of an employer partic-  
9 ipating in the supplemental benefits system under AS 39.30.150 -  
10 39.30.180 or who is receiving a benefit under that system because of  
11 the person's prior employment appointed by the governor from three  
12 nominees nominated for the position by the Teachers' Retirement Board  
13 and by the Public Employees' Retirement Board; and

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

15 (5) two professional institutional investors, selected by  
16 the other board members; and

17 (6) the commissioner of administration and the commissioner  
18 of revenue.

19 (c) The appointed members must have recognized competence and  
20 wide experience in finance, investments, or other business management-  
21 related fields. The professional institutional investors must have  
22 recognized competence and wide experience in managing institutional  
23 investment portfolios.

24 (d) The members other than the commissioners of administration  
25 and revenue shall be appointed for staggered terms of three years and  
26 may be reappointed to the board.

27 (e) Members of the board serve at the pleasure of the governor.  
28 A board member's removal by the governor must be in writing. After a  
29 member receives written notice of removal from the governor, the

1 member may not participate in board business and may not be counted  
2 for purposes of establishing a quorum.

3 (f) Members serving as professional institutional investors may  
4 not hold another compensated state office, position, or employment,  
5 either elective or appointive, except as a member of the armed forces  
6 of the state.

7 (g) A vacancy on the board shall be promptly filled in the same  
8 manner as the seat was originally filled. An appointee to a vacancy  
9 holds office for the balance of the unexpired term of the appointee's  
10 predecessor. A vacancy on the board does not impair the authority of  
11 a quorum of the board to exercise all the powers and perform all the  
12 duties of the board.

13 (h) The board shall annually elect a chair from among its mem-  
14 bers.

15 (i) Five members of the board constitute a quorum for the trans-  
16 action of business and the exercise of the powers and duties of the  
17 board.

18 (j) A board member may not designate another person to serve on  
19 the board in the absence of the member.

20 Sec. 37.10.220. POWERS AND DUTIES OF THE BOARD. (a) The board  
21 shall

22 (1) hold regular and special meetings at the call of the  
23 chair or of at least five of the members;

24 (2) establish investment policies for the funds for which  
25 it is responsible;

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

28 (4) report to the governor and the legislature by Septem-  
29 ber 30 of each year concerning the investment of state funds including

1 financial and investment policies established by the board;

2 (5) contract with external performance evaluators to review  
3 the performance of each fund managed or invested by the corporation  
4 and report each year to the board and to the other boards directly  
5 responsible for the activities supported by the fund on the fund's  
6 condition;

7 (6) engage independent certified public accountants to  
8 prepare an annual audit of each of the funds for which the corporation  
9 is responsible and to report to the board with the results of the  
10 audit.

11 (b) The board may

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

14 (2) employ legal counsel;

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

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

23 Sec. 37.10.230. CONFLICTS OF INTEREST. (a) Members of the  
24 board and the executive director are subject to the provisions of  
25 AS 39.50.

26 (b) If a member of the board or an employee of the corporation  
27 acquires, owns, or controls an interest, direct or indirect, in an  
28 entity or project in which assets under the control of the corporation  
29 are invested, the member shall immediately disclose the interest to

1 the board. The disclosure is a matter of public record and shall be  
2 included in the minutes of the board meeting next following the dis-  
3 closure.

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

7 Sec. 37.10.250. COMPENSATION OF BOARD MEMBERS. Members of the  
8 board other than members who are state employees receive an honorarium  
9 of \$400 for each day spent at a meeting of the board or at a meeting  
10 of a subcommittee of the board or at a public meeting as a represen-  
11 tative of the board. Members of the board are entitled to per diem  
12 and travel allowances as provided for members of state boards and  
13 commissions under AS 39.20.180. The board may provide a monthly fee  
14 to the professional investor members not to exceed \$1,000. This fee,  
15 if any, is in addition to the daily honorarium.

16 Sec. 37.10.260. STAFF. (a) The board shall employ an executive  
17 director. The executive director must be qualified by training and  
18 experience to manage, administer, and direct the investment of funds.  
19 The board shall fix the compensation of the executive director. The  
20 executive and administrative functions of the board are vested in the  
21 executive director who serves under the supervision of the board. The  
22 executive director shall appoint employees of the corporation as  
23 necessary.

24 (b) The board shall appoint an investment director to serve  
25 under the executive director and to act as assistant director. How-  
26 ever, if the office of investment director is vacant, the executive  
27 director may temporarily designate the assistant director. The assis-  
28 tant director shall act in place of the executive director in the  
29 absence or disability of the executive director.

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

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

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

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

14 Sec. 37.10.270. INSURANCE. The corporation shall protect trus-  
15 teed assets and its own assets, services, and employees by purchasing  
16 insurance or providing for self-insurance retentions in amounts recom-  
17 mended by the executive director and approved by the board to cover  
18 the acts, including fiduciary acts, errors, and omissions of its board  
19 members, officers, employees, and agents. Insurance shall protect the  
20 corporation and the state from liability to others and from loss of  
21 trustee assets and assets of the corporation.

22 Sec. 37.10.280. EXEMPTION FROM TAXATION. The corporation and  
23 all properties at any time owned by it, managed by it, or held by it  
24 in trust, and the income from those activities, are exempt from all  
25 taxes and assessments in the state. All security instruments issued  
26 by the corporation and income from them are exempt from all taxes and  
27 assessments in the state, including transfer taxes.

28 Sec. 37.10.290. SURETY FOR DEPOSITS WITH BANKS. Banks, trust  
29 companies, savings banks, and other persons carrying on a banking

1 business are authorized to give sureties to the corporation. The  
2 sureties shall be approved by the corporation to the effect that the  
3 banks or banking institutions shall faithfully keep and pay over to  
4 the order of or upon the warrant of the corporation or its authorized  
5 agent all money deposited with them by the corporation and agreed  
6 interest, at the times or upon the demands agreed on with the banks or  
7 banking institutions. In lieu of these sureties, a depository bank or  
8 other banking institution shall deposit with the corporation or its  
9 authorized agent or a trustee as collateral, securities approved by  
10 the corporation. The deposits of the corporation may be evidenced by  
11 agreements in the form and upon the terms and conditions that are  
12 agreed upon by the corporation and the depository banks or banking  
13 institutions.

14 Sec. 37.10.300. LIMITATIONS. The corporation may not engage in  
15 commercial banking activity or private trust activity. The corpora-  
16 tion may not act as a depository or trustee for a private person,  
17 association, or corporation. The corporation may not act as a lender  
18 to a private person, association, or corporation of money from any  
19 source except state funds under management by the corporation.

20 Sec. 37.10.310. LIABILITY. (a) Except with respect to a writ-  
21 ten agreement authorized under (b) of this section, a liability in-  
22 curred by the corporation shall be satisfied exclusively from the  
23 assets or revenue of the corporation and a creditor or other person  
24 may not have a right of action against the state because of a debt,  
25 obligation, or liability of the corporation. A liability of the  
26 corporation may not be satisfied from trust assets unless expressly  
27 authorized by law.

28 (b) Notwithstanding any other law to the contrary, the corpora-  
29 tion may enter into a written agreement with a Federal Reserve Bank or

1 the board of governors of the Federal Reserve System providing that,  
2 to the extent permitted by the contracts, trust agreements, or other  
3 fiduciary instruments between the corporation and the Federal Reserve  
4 System, the corporation's obligations to the Federal Reserve System  
5 shall be guaranteed by the state, and the state expressly waives all  
6 defenses of governmental immunity by and on behalf of the corporation  
7 and the state with respect to obligations to and from the Federal  
8 Reserve System and the state expressly consents to sue and be sued in  
9 federal court or in any court of competent jurisdiction. However,  
10 this provision does not alter or affect the immunity accorded to state  
11 officials and employees under state law.

12 Sec. 37.10.399. DEFINITIONS. In AS 37.10.210 - 37.10.399,  
13 unless the context otherwise requires,

14 (1) "board" means the board of directors of the corpora-  
15 tion;

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

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

19 (d) The commissioner of administration shall report to the board  
20 concerning the condition and administration of the system. The re-  
21 ports shall be distributed to the members of the system. The Alaska  
22 State Investment Corporation [COMMISSIONER OF REVENUE] shall provide  
23 reports to the board on the condition and investment performance of  
24 the teachers' retirement trust fund and an annual external performance  
25 review.

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

27 Sec. 14.25.180. MANAGEMENT AND INVESTMENT OF FUND. (a) The  
28 Alaska State Investment Corporation [COMMISSIONER OF REVENUE] is the  
29 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund. In managing

1 the fund, the Alaska State Investment Corporation [COMMISSIONER OF  
2 REVENUE] shall

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

5 (2) determine the appropriate investment objectives for the  
6 fund;

7 (3) establish investment policies aimed at achieving the  
8 objectives; and

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

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

15 (c) In carrying out investment duties under this chapter, the  
16 Alaska State Investment Corporation [COMMISSIONER OF REVENUE] has the  
17 same powers and duties in regard to the teacher's retirement trust  
18 fund as are provided in AS 37.10.071, except that the standard of  
19 prudence that the corporation [COMMISSIONER] must obey under AS 37.-  
20 10.071(c) shall be in regard to the management of large trust invest-  
21 ments rather than large investments.

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

23 (b) The Alaska State Investment Corporation [COMMISSIONER OF  
24 REVENUE] is the fiduciary of the trust fund and shall account for and  
25 invest the fund as set out in AS 37.14.110(c), 37.14.160, and 37.14.-  
26 170, except that the corporation [COMMISSIONER] shall report the  
27 condition and investment performance of the fund to the Board of  
28 Regents.

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

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

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

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

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

11 (f) The board of directors of the Alaska State Investment Corpo-  
12 ration shall adopt procedures to govern the procurement of supplies,  
13 services, professional services, and construction. The procedures  
14 must

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

18 (2) include procurement methods to meet emergency and  
19 extraordinary circumstances.

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

21 (1) "agency"

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

26 (B) does not include

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

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

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

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(iv) the Alaska State Investment Corporation;

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

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

Sec. 37.10.071. INVESTMENT POWERS AND DUTIES. (a) In making investments under this section, the fiduciary of a state fund [COMMISSIONER OF REVENUE] shall

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

(2) receive all items of cash and investments;

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

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

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

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

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

(8) maintain accounting records in accordance with generally accepted [INVESTMENT] accounting principles;

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

(10) enter into and enforce contracts or agreements considered necessary, convenient, or desirable for the investment

1 purposes of this section; and

2 (1) when choosing to acquire or dispose of investments,  
3 secure competitive national or international market rates or prices,  
4 or the equivalence of those rates or prices in the judgment of the  
5 fiduciary [COMMISSIONER].

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

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

12 (2) acquire or dispose of investments either directly,  
13 indirectly, or through investment pools or trusts, by competitive or  
14 negotiated agreements, contracts, or auctions, in public or private  
15 markets;

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

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

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

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

29 (7) hold investments in bearer or registered form in the

1 name of the state, a fund, or nominees authorized by the fiduciary  
2 [COMMISSIONER];

3 (8) utilize consultants, advisors, custodians, investment  
4 services, and legal counsel for assistance in investment matters on  
5 either a continuing or a limited-term basis and with or without com-  
6 pensation;

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

12 (c) In exercising investment, custodial, or depository powers or  
13 duties under this section, the fiduciary of a state fund [COMMIS-  
14 SIONER] shall exercise the judgment and care under the circumstances  
15 then prevailing that an institutional investor of ordinary profession-  
16 al prudence, discretion, and intelligence exercises in managing large  
17 investments with consideration for the purpose of the fund, the in-  
18 vestment objectives, the continuing disposition of the fund's invest-  
19 ments, and the probable safety of the capital as well as the probable  
20 investment returns. With respect to the Alaska State Investment  
21 Corporation, the members of the board of directors shall exercise  
22 their fiduciary duty in the sole financial best interest of the funds  
23 entrusted to them and of the beneficiaries of those funds. The board  
24 may not make or authorize investment decisions or the voting of shares  
25 for a purpose other than the sole financial best interest of the funds  
26 or beneficiaries.

27 (d) In exercising investment, custodial, or depository powers or  
28 duties under this section, the fiduciary or the fiduciary's [COMMIS-  
29 SIONER OR A] designee [OF THE COMMISSIONER] is liable for a breach of

1 a duty that is assigned or delegated under this section, or under  
2 AS 14.25.180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.-  
3 160, 37.14.170, or AS 39.35.080. However, the fiduciary or the [COM-  
4 MISSIONER OR THE COMMISSIONER'S] designee is not liable for a breach  
5 of a duty that has been delegated to another person if the delegation  
6 is prudent under the applicable standard of prudence set out in stat-  
7 ute or if the duty is assigned by law to another person, except to the  
8 extent that the fiduciary [COMMISSIONER] or designee

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

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

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

19 (e) The state shall defend and indemnify the fiduciary [COMMIS-  
20 SIONER] or an officer or employee of the state against liability under  
21 (d) of this section to the extent that the alleged act or omission was  
22 performed in good faith and was prudent under the applicable standard  
23 of prudence.

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

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

28 (2) the Alaska State Investment Corporation for investments  
29 under AS 14.25.080; or

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

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

5                   (c) The Alaska State Investment Corporation [COMMISSIONER OF  
6                   REVENUE] shall account for the fund in accordance with generally  
7                   accepted accounting principles and shall determine the net income of  
8                   the fund [IN ACCORDANCE WITH INVESTMENT ACCOUNTING PRINCIPLES AND] in  
9                   a manner that preserves the distinction between principal and income  
10                   and that excludes capital gains or losses realized on principal. The  
11                   principal of the fund and the capital gains or losses realized on  
12                   principal shall be perpetually retained in the fund for investment  
13                   purposes.

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

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

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

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

26                   (1) exercise the powers and duties established in AS 14.-  
27                   25.180(c);

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

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

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

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

6                   Sec. 37.14.170.     INVESTMENTS.     The Alaska State Investment  
7 Corporation [COMMISSIONER OF REVENUE] is the fiduciary of the trust  
8 fund and shall invest the fund to provide increasing net income over  
9 long-term periods to the fund's income beneficiaries. The corporation  
10 [COMMISSIONER] may invest the money in the fund on the basis of proba-  
11 ble total rate of return to promote the long-term generation of in-  
12 come. In managing the trust fund, the corporation [COMMISSIONER]  
13 shall

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

16                   (2) determine the appropriate investment objectives;

17                   (3) establish investment policies to achieve the objec-  
18 tives; and

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

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

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

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

28                   Sec. 37.14.210.     POWERS AND DUTIES OF THE ALASKA STATE INVESTMENT  
29 CORPORATION [COMMISSIONER OF REVENUE]. The Alaska State Investment

1        Corporation [COMMISSIONER OF REVENUE] is the fiduciary [TREASURER] of  
2 the fund and has the power and duty to:

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

6            (2) receive all items of cash and investments belonging to  
7 the fund;

8            (3) collect the principal and income from investments owned  
9 or acquired by the fund and deposit the amounts in separate principal  
10 and income accounts for the fund;

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

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

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

20           (7) engage an independent firm of certified public account-  
21 ants to annually audit the financial condition of the fund's invest-  
22 ments and investment transactions;

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

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

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

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

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

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

11 (G) Alaska State Investment Corporation;

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

13 Sec. 39.30.175. INVESTMENT OF BENEFIT PROGRAM RECEIPTS. The  
14 Alaska State Investment Corporation is the fiduciary of the receipts  
15 of the employee benefits program established under AS 39.30.150 -  
16 39.30.180 and has the same powers and duties concerning the management  
17 and investment in regard to those receipts as are provided under  
18 AS 14.25.180.

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

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

- 23 (1) maintain the accounts of the system;  
24 (2) make payments for the various purposes specified;  
25 (3) submit periodic reports or statements of account that  
26 are needed;  
27 (4) issue a statement of account to an employee requesting  
28 it showing the amount of the employee's contributions to the system;  
29 (5) as soon as possible after the close of each fiscal

1 year, and not later than six months after the close of each fiscal  
2 year, send to the governor, the legislature, and the board an annual  
3 statement on the operations of the system containing

4 (A) a balance sheet;

5 (B) a statement of income and expenditures for the  
6 year;

7 (C) a report on an actuarial valuation of its assets  
8 and liabilities;

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

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

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

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

20 (8) report to the board concerning the condition and admin-  
21 istration of the system and distribute the report to the members of  
22 the system.

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

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

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

2 (d) The Alaska State Investment Corporation shall select the  
3 vendor through which participants in the state deferred compensation  
4 program are offered investment and benefit choices. The administrator  
5 of the state deferred compensation program may request the Alaska  
6 State Investment Corporation to substitute for the administrator as  
7 fiduciary of the funds held under the state deferred compensation  
8 program. If the corporation accepts responsibility for investing the  
9 funds under AS 37.10.220(b), the corporation shall comply with AS 39.-  
10 45.030.

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

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

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

15 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue  
16 shall

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

18 (2) collect, account for, have custody of, invest, and  
19 manage all state funds and all revenues of the state except revenues  
20 incidental to a program of licensing and regulation carried on by  
21 another state department and funds managed and invested by the Alaska  
22 State Investment Corporation;

23 (3) register cattle brands;

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

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

28 \* Sec. 24. TRANSITION. All litigation, hearings, investigations, and  
29 other proceedings pending under a law amended or repealed by this Act, or

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

12 \* Sec. 25. (a) Notwithstanding AS 37.10.210(e), enacted by sec. 1 of  
13 this Act, the initial terms of the members, other than the commissioners of  
14 administration and revenue, of the board of directors of the Alaska State  
15 Investment Corporation shall be as follows:

16 (1) one member nominated by a state retirement board, one pro-  
17 fessional investor, and one public member shall serve terms of three years;

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

20 (3) one member nominated by a state retirement board and one  
21 public member shall serve one-year terms.

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

25 \* Sec. 26. AS 37.10.210 and 37.10.230 - 37.10.399, enacted by sec. 1 of  
26 this Act, and sec. 25 of this Act take effect immediately under AS 01.-  
27 10.070(c).

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