

SENATE CS FOR CS FOR HOUSE BILL NO. 221 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/16/91
Referred: Rules

Sponsor(s): HOUSE RULES/LEGISLATIVE BUDGET AND AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act creating the investment loss trust fund; and providing for an effective date."

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

3 * Section 1. LEGISLATIVE PURPOSE. The purpose of AS 37.14.300, enacted by sec. 2 of this Act,
4 is to provide financial security to participants in the state supplemental annuity plan established under
5 AS 39.30.150 - 39.30.180 and other annuity holders who may be harmed by the possible insolvency of
6 the Executive Life Insurance Company of California.

7 * Sec. 2. AS 37.14 is amended by adding a new section to read:

8 **ARTICLE 4. INVESTMENT LOSS TRUST FUND.**

9 **Sec. 37.14.300. INVESTMENT LOSS TRUST FUND.** (a) There is established as a
10 separate fund in the state treasury the investment loss trust fund. The trust fund consists of
11 money appropriated to it by the legislature. The Department of Revenue is the custodian of the
12 trust fund and shall invest the trust fund in accordance with AS 37.10.071. Subject to
13 appropriation, the amount earned on money in the trust fund shall be retained in the trust fund.
14 The trust fund shall be held in trust for the benefit of participants in the supplemental annuity

1 plan established under AS 39.30.150 - 39.30.180 and for other purposes authorized by this
2 section, subject to the conditions set out in this section.

3 (b) The Department of Administration shall spend money from the trust fund as
4 necessary to

5 (1) hold participants in the plan and annuity holders harmless from a loss on
6 investments in guaranteed investment and annuity contracts issued by Executive Life Insurance
7 Company of California;

8 (2) pursue a right to recover amounts from persons who may have unlawfully
9 caused or contributed to the loss on investments; and

10 (3) protect the interest of participants in the plan and annuity holders during
11 proceedings to conserve or liquidate the assets of Executive Life Insurance Company of
12 California.

13 (c) If the plan or an annuity holder does not incur a loss on investments, or, if after
14 compensating the plan and annuity holders for the loss on investments, a balance remains in the
15 trust fund, the trust fund created in (a) of this section is terminated and the balance of the trust
16 fund lapses pro rata into the funds from which the appropriations to the trust fund were made.
17 The state is subrogated to a right of claim held by participants in the plan and annuity holders
18 to the extent of amounts spent from the trust fund.

19 (d) In this section,

20 (1) "annuity holder" means

21 (A) a plan participant who elects to receive an annuity contract acquired
22 by the Department of Administration and issued by Executive Life Insurance Company
23 of California; and

24 (B) members of the Unlicensed Vessel Personnel Annuity Retirement Plan
25 who receive an annuity contract acquired by the Department of Administration and issued
26 by Executive Life Insurance Company of California;

27 (2) "loss on investments" means

28 (A) the difference between the principal amount plus accrued interest
29 earned through May 3, 1991, on the guaranteed investment contracts issued by Executive
30 Life Insurance Company of California, according to the terms of the contracts, and a
31 lesser amount received by the plan upon maturity, sale, or other termination of the

1 contracts; plus

2 (B) accrued earnings on the amount described in (A) of this subsection,
3 beginning May 4, 1991, and continuing until the earlier of a participant's benefit
4 commencement date or the maturity, sale, or other termination of the contracts, at a rate
5 equal to the rate, less one percent to be used for the purposes of (b)(2) - (3) of this
6 section, earned each month on the investment loss trust fund; or

7 (C) any unpaid annuity amounts due to annuity holders under an annuity
8 contract issued by Executive Life Insurance Company of California;

9 (3) "plan" means the supplemental annuity plan established under AS 39.30.150 -
10 39.30.180;

11 (4) "trust fund" means the investment loss trust fund established under this
12 section.

13 * Sec. 3. The Department of Revenue shall notify the lieutenant governor, the revisor of statutes,
14 the commissioner of administration, and the legislative budget and audit committee when the investment
15 loss trust fund is terminated under AS 37.14.300(c), enacted by sec. 2 of this Act.

16 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).