

SENATE BILL NO. 10
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR KERTTULA

Introduced: 1/21/91

Referred: State Affairs and Finance

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to management and investment of certain state funds; and providing for
 2 an effective date."

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

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

5 **ARTICLE 5. STATE INVESTMENT BOARD.**

6 **Sec. 37.10.210. STATE INVESTMENT BOARD.** (a) There is established in the
 7 Department of Revenue the State Investment Board. The purpose of the board is to manage and
 8 invest, with the assistance of the Department of Revenue, state funds and revenue.

9 (b) The board consists of nine members:

10 (1) two members who are non-physician members of the Teachers' Retirement
 11 Board, nominated by that board and appointed by the governor;

12 (2) two members who are non-physician members of the Public Employees'
 13 Retirement Board, nominated by that board and appointed by the governor;

14 (3) the commissioner of revenue;

1 (4) the commissioner of administration;

2 (5) three public members, appointed by the governor.

3 (c) The public members must have recognized competence and wide experience in
4 finance, investments, or other business management-related fields. A public member may not
5 hold another state or federal office, position, or employment, either elective or appointive, except
6 as a member of the armed forces of either the United States or of this state. The members of
7 retirement boards and public members of the investment board shall be appointed for staggered
8 terms of six years and may be reappointed to the board.

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

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

17 (f) The board shall annually elect a chair from among its members.

18 (g) Five members of the board constitute a quorum for the transaction of business and
19 the exercise of the powers and duties of the board.

20 (h) A member of the board may receive a per diem allowance and transportation
21 expenses in carrying out the duties set out in this chapter.

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

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

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

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

29 (4) report to the governor and the legislature by September 30 of each year
30 concerning the investment of state funds.

31 (b) The board may

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

3 (2) establish investment policies for the funds;

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

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

9 (5) do all acts necessary, convenient, or desirable to carry out the powers
10 expressly granted or necessarily implied in this chapter.

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

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

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

20 Sec. 37.10.290. DEFINITION. In AS 37.10.210 - 37.10.290, "board" means the State
21 Investment Board.

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

23 (d) The commissioner of administration shall report to the board concerning the condition
24 and administration of the system. The reports shall be distributed to the members of the system.
25 The State Investment Board [COMMISSIONER OF REVENUE] shall provide reports to the
26 board on the condition and investment performance of the teachers' retirement trust fund and an
27 annual external performance review. The review must be complete, understandable, and
28 presented in acceptable format according to industry patterns and customs.

29 * Sec. 3. AS 14.25.180 is amended to read:

30 Sec. 14.25.180. MANAGEMENT AND INVESTMENT OF FUND. (a) The State
31 Investment Board [COMMISSIONER OF REVENUE] is the [TREASURER OF THE

1 SYSTEM AND THE] fiduciary of the fund. In managing the fund, the State Investment Board
2 [COMMISSIONER OF REVENUE] shall

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

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

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

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

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

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

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

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

21 * Sec. 5. AS 14.40.805 is amended to read:

22 Sec. 14.40.805. POWERS AND DUTIES OF THE STATE INVESTMENT BOARD
23 [COMMISSIONER OF REVENUE]. The State Investment Board [COMMISSIONER OF
24 REVENUE] is the trustee of the fund and has the powers and duties under this section to

25 (1) act as official trustee of the cash and investments belonging to the fund and
26 to secure adequate and safe custodial facilities;

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

28 (3) collect the principal and income from investments acquired by the trustee and
29 deposit the amounts in separate principal and income accounts for the fund;

30 (4) invest and reinvest the assets of the fund as provided in this section and as
31 provided for the investment of retirement funds under AS 14.25.180;

- 1 (5) exercise the powers of a trustee with respect to the assets of the fund;
- 2 (6) do all acts, whether or not expressly authorized, that the State Investment
- 3 Board [COMMISSIONER OF REVENUE] considers necessary or proper in administering, as
- 4 a trustee, the assets of the fund;
- 5 (7) maintain accounting records of the fund in accordance with investment
- 6 accounting principles and with distinction between the principal and income accounts of the fund;
- 7 (8) engage an independent firm of certified public accountants to annually audit
- 8 the financial condition of the fund's investments and investment transactions;
- 9 (9) enter into and enforce contracts or agreements considered necessary for the
- 10 investment purposes of the fund;
- 11 (10) report to the university the condition and investment performance of the
- 12 fund;
- 13 (11) make payments to the university on behalf of qualified beneficiaries;
- 14 (12) make refunds upon termination of an advance tuition payment contract; and
- 15 (13) pay the costs of administration of the fund.

16 * Sec. 6. AS 18.56.095(a) is amended to read:

17 (a) There is a special fund of the state to be known as the "state mortgage insurance

18 fund," referred to in this section as [(CALLED) the "mortgage insurance fund," []] which shall

19 be completely segregated and set apart from all other funds of the state, and which is a trust fund

20 for the uses and purposes of this section and into and from which money shall be paid as

21 provided in this section. The mortgage insurance fund shall be held by the State Investment

22 Board [COMMISSIONER OF REVENUE], subject to the power of the commissioner of

23 commerce and economic development to enter into and perform agreements with respect to the

24 use of money in the mortgage insurance fund and to pledge, assign, or grant interests in the

25 mortgage insurance fund as provided in this section. The commissioner of commerce and

26 economic development may enter into agreements with the corporation with respect to the

27 exercise of any power or approval relating to the mortgage insurance fund under this section,

28 including, without limitation, agreements as to the use of money in the mortgage insurance fund,

29 agreements with respect to the terms and conditions upon which payments from the mortgage

30 insurance fund shall be made to the corporation with respect to mortgage loans insured under this

31 section, and agreements regarding the payment of and security for mortgage insurance bonds, and

1 in connection with these agreements the commissioner of commerce and economic development
2 may pledge, assign, or grant other interests in the mortgage insurance fund to the corporation as
3 may be necessary or appropriate in connection with the insurance of mortgage loans and to
4 provide for the payment of and security for mortgage insurance bonds. An [ANY SUCH]
5 agreement or [ANY OF] the rights of the corporation under the agreement and payments received
6 or to be received under the agreement may be pledged or assigned by the corporation for the
7 benefit of the holders of mortgage insurance bonds.

8 * Sec. 7. AS 18.56.095(b) is amended to read:

9 (b) In addition to any other fees and charges that the corporation may charge on
10 mortgage loans, it may collect or cause to be collected on all mortgage loans made or purchased
11 with the proceeds of the sale of mortgage insurance bonds, either or both a special mortgage loan
12 insurance commitment fee or a mortgage loan insurance premium. The special mortgage loan
13 insurance commitment fees and special mortgage loan insurance premiums when received shall
14 be deposited in the mortgage insurance fund by the corporation, or by any mortgage loan
15 servicer, trustee, or agent designated by the corporation to receive them, and shall be held,
16 invested and, together with all investment income derived from them, reinvested by the State
17 Investment Board [COMMISSIONER OF REVENUE] as set out in AS 37.10.071, subject to
18 any agreement with the corporation under (a) of this section.

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

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

24 * Sec. 9. AS 26.05.228(c) is amended to read:

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

28 * Sec. 10. AS 36.30.850(b) is amended to read:

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

31 (1) grants;

- 1 (2) contracts for professional witnesses to provide for professional services or
2 testimony relating to existing or probable lawsuits in which the state is or may become a party;
- 3 (3) contracts of the University of Alaska where the work is to be performed
4 substantially by students enrolled in the university;
- 5 (4) contracts for medical doctors and dentists;
- 6 (5) acquisitions or disposals of real property or interest in real property, except
7 as provided in AS 36.30.080;
- 8 (6) disposals under AS 38.05;
- 9 (7) contracts for the preparation of ballots under AS 15.15.030;
- 10 (8) acquisitions or disposals of property and other contracts relating to airports
11 under AS 02.15.070, 02.15.090, 02.15.091, and AS 44.88;
- 12 (9) disposals of obsolete property under AS 19.05.060;
- 13 (10) disposals of obsolete material or equipment under AS 35.20.060;
- 14 (11) agreements with providers of services under AS 44.47.250; AS 47.07;
15 AS 47.08; AS 47.10; AS 47.17; AS 47.24; AS 47.25.195, and 47.25.310;
- 16 (12) contracts of the Department of Fish and Game for flights that involve
17 specialized flying and piloting skills and are not point-to-point;
- 18 (13) purchases of income-producing assets for the state treasury or a public
19 corporation of the state;
- 20 (14) operation of the state boarding school established under AS 14.16, if the
21 State Board of Education or the commissioner of education adopts regulations for use by the state
22 boarding school in procurement and contracting;
- 23 (15) a contract that is a delegation, in whole or in part, of investment powers
24 held by the State Investment Board [COMMISSIONER OF REVENUE] under AS 14.25.180,
25 AS 14.40.400, AS 14.42.200, 14.42.210, AS 18.56.095, AS 22.25.048, AS 26.05.228,
26 AS 37.10.070, 37.10.071, AS 37.14, or AS 39.35.080;
- 27 (16) a contract that is a delegation, in whole or in part, of investment powers
28 of the Board of Trustees of the Alaska Permanent Fund Corporation under AS 37.13;
- 29 (17) the purchase of books, book binding services, newspapers, periodicals,
30 audio-visual materials, network information services access, approval plans, professional
31 memberships, archival materials, objects of art, and items for museum or archival acquisition

1 having cultural, historical, or archaeological significance; in this paragraph

2 (A) "approval plans" means book selection services in which current book
3 titles meeting an agency's customized specifications are provided to the agency subject
4 to the right of the agency to return those books that do not meet with the agency's
5 approval;

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

8 (C) "audio-visual materials" means nonbook prerecorded materials,
9 including records, tapes, slides, transparencies, films, filmstrips, cassettes, videos, compact
10 discs, laser discs, and items that require the use of equipment to render them usable;

11 (D) "network information services" means a group of resources from
12 which cataloging information, holdings records, inter-library loans, acquisitions
13 information, and other reference resources can be obtained;

14 (18) contracts for the purchase of standardized examinations for licensure under
15 AS 08;

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

18 (20) contracts for supplies or services for research projects funded by money
19 received from the federal government or private grants;

20 (21) guest speakers or performers for an educational or cultural activity; or

21 (22) contracts of the Alaska Industrial Development and Export Authority for
22 a clean coal technology demonstration project that

23 (A) is attempting to develop a coal-fired electric generation project;

24 (B) uses technology that is capable of commercialization during the
25 1990's; and

26 (C) qualifies for federal financial participation under P.L. 99-190 as
27 amended.

28 * Sec. 11. AS 37.05.540(d) is amended to read:

29 (d) The State Investment Board [DEPARTMENT OF REVENUE] shall manage and
30 invest assets of the budget reserve fund in the manner set out for the management and investment
31 of the assets of the general fund under AS 37.10.070. Income from investment of the budget

1 reserve fund may be appropriated to the fund each year by law.

2 * Sec. 12. AS 37.05.550(a) is amended to read:

3 (a) There is in the general fund the Alaska marine highway system vessel replacement
4 fund. The fund consists of money appropriated to it by the legislature. Money appropriated to
5 the fund does not lapse. The State Investment Board [DEPARTMENT OF REVENUE] shall
6 manage the fund. Interest received on money in the fund shall be accounted for separately and
7 may be appropriated into the fund annually. The legislature may appropriate money from the
8 fund for refurbishment of existing state ferry vessels, acquisition of additional state ferry vessels,
9 or replacement of retired or outmoded state ferry vessels.

10 * Sec. 13. AS 37.10.070 is amended to read:

11 Sec. 37.10.070. INVESTMENT OF RESIDUAL MONEY. (a) The board
12 [COMMISSIONER] shall invest, as set out in AS 37.10.071, the money in the state treasury
13 above an amount sufficient to meet immediate expenditure needs. In managing the invested
14 assets, the board [COMMISSIONER] shall

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

17 (2) determine the appropriate investment objectives;

18 (3) establish investment policies to achieve the objectives; and

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

20 (b) The board [COMMISSIONER] may invest on the basis of probable total rate of
21 return without regard to the distinction between principal and income and without regard to the
22 generation of income.

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

25 * Sec. 14. AS 37.10.071 is amended to read:

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

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

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

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

1 investments;

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

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

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

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

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

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

13 (10) enter into and enforce contracts or agreements considered necessary,
14 convenient, or desirable for the investment purposes of this section; and

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

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

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

23 (2) acquire or dispose of investments either directly, indirectly, or through
24 investment pools or trusts, by competitive or negotiated agreements, contracts, or auctions, in
25 public or private markets;

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

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

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

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

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

8 (8) utilize consultants, advisors, custodians, investment services, and legal counsel
9 for assistance in investment matters on either a continuing or a limited-term basis and with or
10 without compensation;

11 (9) declare records to be confidential and exempt from AS 09.25.110 and
12 09.25.120 if the records contain information that discloses the particulars of the business or the
13 affairs of a private enterprise, investor, borrower, advisor, consultant, counsel, or manager.

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

20 (d) In exercising investment, custodial, or depository powers or duties under this section,
21 the board or the board's [COMMISSIONER OR A] designee [OF THE COMMISSIONER] is
22 liable for a breach of a duty that is assigned or delegated under this section, or under AS 14.25.-
23 180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, 37.14.170, or AS 39.35.080.
24 However, the board or the board's [COMMISSIONER OR THE COMMISSIONER'S] designee
25 is not liable for a breach of a duty that has been delegated to another person if the delegation is
26 prudent under the applicable standard of prudence set out in statute or if the duty is assigned by
27 law to another person, except to the extent that the board [COMMISSIONER] or designee

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

31 (2) by failure to comply with this section in the administration of specific

1 responsibilities, enables another person to commit a breach of duty; or

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

5 (e) The state shall defend and indemnify the board [COMMISSIONER] or an officer or
6 employee of the state against liability under (d) of this section to the extent that the alleged act
7 or omission was performed in good faith and was prudent under the applicable standard of
8 prudence.

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

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

13 (2) the person or body provided by law to manage the investments, for
14 investments not subject to AS 14.25.180 or AS 37.10.070.

15 * **Sec. 15.** AS 37.14.110(c) is amended to read:

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

23 * **Sec. 16.** AS 37.14.140 is amended to read:

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

29 * **Sec. 17.** AS 37.14.160 is amended to read:

30 Sec. 37.14.160. DUTIES OF THE STATE INVESTMENT BOARD [COMMIS-
31 SIONER OF REVENUE]. The State Investment Board [COMMISSIONER OF REVENUE]

1 is the treasurer of the trust fund created in AS 37.14.110 and shall

2 (1) exercise the powers and duties established in AS 14.25.180(c);

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

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

7 (4) provide reports to the board established under AS 37.14.120 on the condition
8 and investment performance of the fund.

9 * **Sec. 18.** AS 37.14.170 is amended to read:

10 Sec. 37.14.170. INVESTMENTS. The State Investment Board [COMMISSIONER OF
11 REVENUE] is the fiduciary of the trust fund and shall invest the fund to provide increasing net
12 income over long-term periods to the fund's income beneficiaries. The board
13 [COMMISSIONER] may invest the money in the fund on the basis of probable total rate of
14 return to promote the long-term generation of income. In managing the trust fund, the board
15 [COMMISSIONER] shall

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

18 (2) determine the appropriate investment objectives;

19 (3) establish investment policies to achieve the objectives; and

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

21 * **Sec. 19.** AS 37.14.200(c) is amended to read:

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

26 * **Sec. 20.** AS 37.14.210 is amended to read:

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

30 (1) act as official custodian of the cash and investments belonging to the fund by
31 securing adequate and safe custodial facilities;

- 1 (2) receive all items of cash and investments belonging to the fund;
- 2 (3) collect the principal and income from investments owned or acquired by the
- 3 fund and deposit the amounts in separate principal and income accounts for the fund;
- 4 (4) invest and reinvest the assets of the fund as provided in this section and as
- 5 provided for the investment of funds under AS 14.25.180(c) and AS 37.14.170;
- 6 (5) exercise the powers of an owner with respect to the assets of the fund;
- 7 (6) maintain accounting records of the fund in accordance with generally
- 8 accepted [INVESTMENT] accounting principles; however, the board shall preserve the [AND
- 9 WITH] distinction between the principal and income accounts of the fund;
- 10 (7) engage an independent firm of certified public accountants to annually audit
- 11 the financial condition of the fund's investments and investment transactions;
- 12 (8) enter into and enforce contracts or agreements considered necessary for the
- 13 investment purposes of the fund;
- 14 (9) report to the commission the condition and investment performance of the
- 15 fund;
- 16 (10) do all acts, whether or not expressly authorized, that the State Investment
- 17 Board [COMMISSIONER OF REVENUE] considers necessary or proper in administering the
- 18 assets of the fund.

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

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

25 * Sec. 22. AS 39.30 is amended by adding a new section to read:

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

30 * Sec. 23. AS 39.35.020 is amended to read:

31 Sec. 39.35.020. ADMINISTRATION. The commissioner of administration is responsible

1 for the administration of the system and for carrying out this chapter. In addition the
2 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 are needed;
6 (4) issue a statement of account to an employee requesting it showing the amount
7 of the employee's contributions to the system;

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

11 (A) a balance sheet;
12 (B) a statement of income and expenditures for the year;
13 (C) a report on an actuarial valuation of its assets and liabilities;
14 (D) a summary of assets held in the pension fund listed by the categories
15 of investment, as provided by the State Investment Board [COMMISSIONER OF
16 REVENUE];

17 (E) other statistical financial data that are necessary for a proper
18 understanding of the financial condition of the system and the result of its operations;

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

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

23 (8) report to the board concerning the condition and administration of the system
24 and distribute the report to the members of the system.

25 * Sec. 24. AS 39.35.080 is amended to read:

26 Sec. 39.35.080. DUTIES OF THE STATE INVESTMENT BOARD [COMMISSIONER
27 OF REVENUE]. The State Investment Board [COMMISSIONER OF REVENUE] is the
28 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund. The board
29 [COMMISSIONER] has the same powers and duties established under this chapter in regard to
30 the fund as are provided in AS 14.25.035(d) and 14.25.180.

31 * Sec. 25. AS 39.45.030(a) is amended to read:

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

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

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

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

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

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

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

14 * Sec. 26. AS 39.50.200(b) is amended by adding a new paragraph to read:

15 (52) State Investment Board (AS 37.10.210).

16 * Sec. 27. AS 43.23.015(e) is amended to read:

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

21 * Sec. 28. AS 43.23.045(a) is amended to read:

22 (a) The dividend fund is established as a separate fund in the state treasury. The
23 dividend fund shall be administered by the commissioner and shall be invested by the State
24 Investment Board [COMMISSIONER] in the same manner as provided in AS 37.10.070.

25 * Sec. 29. AS 44.25.020 is amended to read:

26 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue shall

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

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

31 (3) register cattle brands;

1 (4) supply necessary clerical and administrative services for the Alcoholic
2 Beverage Control Board and the State Investment Board; and

3 (5) implement the investment and management policies and directives of the
4 State Investment Board [INVEST AND MANAGE THE BALANCE OF THE POWER
5 DEVELOPMENT FUND IN ACCORDANCE WITH AS 44.83.386].

6 * Sec. 30. AS 44.83.386 is amended to read:

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

16 * Sec. 31. AS 46.11.050(b) is amended to read:

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

25 * Sec. 32. AS 47.80.200(b) is amended to read:

26 (b) The State Investment Board [COMMISSIONER OF REVENUE] is the custodian
27 of the trust fund in the same manner as provided for the public school trust fund in
28 AS 37.14.160 - 37.14.170, except where the provisions of AS 47.80.200 - 47.80.290 conflict.

29 * Sec. 33. TRANSITION. All litigation, hearings, investigations, and other proceedings pending
30 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,
31 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal

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

8 * **Sec. 34.** (a) Notwithstanding AS 37.10.210(c), enacted by sec. 1 of this Act, the initial terms of
9 the appointed members of the board of directors of the State Investment Board shall be as follows:

10 (1) one member nominated by each state retirement board and one public member shall
11 serve terms of six years;

12 (2) one member nominated by a state retirement board and one public member shall serve
13 terms of four years;

14 (3) one member nominated by a state retirement board and one public member shall serve
15 terms of two years.

16 (b) The State Investment Board may hold organizational meetings as soon as a quorum of the
17 board has been appointed to or selected for the board.

18 * **Sec. 35.** AS 37.10.210, 37.10.230, 37.10.240, and 37.10.290, enacted by sec. 1 of this Act, and
19 sec. 34 of this Act take effect immediately under AS 01.10.070(c).

20 * **Sec. 36.** Except as provided in sec. 35 of this Act, this Act takes effect January 1, 1992.