

**HOUSE CS FOR CS FOR SS FOR SENATE BILL NO. 18 (STATE AFFAIRS)****IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY THE HOUSE STATE AFFAIRS COMMITTEE****Offered: 3/25/91****Referred: Finance****Sponsor(s): SENATORS POURCHOT, Sturgulewski, Duncan, Collins****A BILL****FOR AN ACT ENTITLED**

1 "An Act establishing the Alaska State Pension Corporation; relating to management and  
2 investment of state pension funds and other state funds; and providing for an effective  
3 date."

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

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

6 **ARTICLE 5. ALASKA STATE PENSION CORPORATION.**

7 **Sec. 37.10.210. ALASKA STATE PENSION CORPORATION.** (a) There is established  
8 the Alaska State Pension Corporation. The corporation is a public corporation in the Department  
9 of Revenue managed by a board of trustees. The purpose of the corporation is to provide  
10 professional management and investment of state pension funds and of other state funds upon  
11 agreement with the managers of those funds.

12 (b) The board consists of eight trustees. Four of the trustees shall be elected by the  
13 members of the retirement systems. Nominations may be made by the teachers' retirement board,  
14 the public employees' retirement board, or by petition signed by at least 10 persons eligible to

1 vote in the election. One of the elected trustees must be an active member of the public  
2 employees' retirement system who is participating in the supplemental benefits program under  
3 AS 39.30.150 - 39.30.180, one must be receiving a benefit from the public employees' retirement  
4 system, one must be an active member of the teachers' retirement system, and one must be  
5 receiving a benefit from a retirement system other than the public employees' retirement system.  
6 The governor shall appoint two trustees from a list of nominees submitted by employers in the  
7 retirement systems. The governor shall appoint one additional trustee from a list of nominees  
8 submitted by the other seven trustees. The commissioner of revenue serves as a trustee.

9 (c) The appointed and elected trustees shall serve for staggered terms of four years and  
10 may be reappointed or reelected to the board.

11 (d) The governor may, by written notice to the trustee, remove an elected or appointed  
12 trustee who cannot perform the normal duties associated with the trustee position due to mental  
13 or physical incapacitation, who is convicted of a felony, who commits an act that under state law  
14 constitutes a felony or a misdemeanor that is incompatible with service on the board, or who fails  
15 to comply with AS 37.10.230. After a trustee receives written notice of removal from the  
16 governor, the trustee may not participate in board business and may not be counted for purposes  
17 of establishing a quorum.

18 (e) A vacancy on the board of trustees shall be promptly filled in the same manner as  
19 the seat was originally filled. A person filling a vacancy holds office for the balance of the  
20 unexpired term of the person's predecessor. A vacancy on the board does not impair the  
21 authority of a quorum of the board to exercise all the powers and perform all the duties of the  
22 board.

23 (f) The board of trustees shall annually elect a chair from among its members.

24 (g) Five trustees constitute a quorum for the transaction of business and the exercise of  
25 the powers and duties of the board.

26 (h) A trustee may not designate another person to serve on the board in the absence of  
27 the trustee.

28 (i) Trustees shall participate in financial education training.

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

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

1 (2) establish investment policies for the funds for which it is responsible after  
2 reviewing recommendations from the investment advisory council;

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

5 (4) report to the governor, the legislature, and employers participating in the  
6 retirement systems by the first day of each regular legislative session concerning the investment  
7 of funds for which the corporation is responsible including financial and investment policies  
8 established by the board and enclose a summary of the most recent performance evaluations of  
9 the funds managed by the corporation;

10 (5) contract with external performance evaluators to review the performance of  
11 each fund for which the corporation is responsible and report each year on the fund's condition  
12 to the board of trustees and to the other appropriate boards;

13 (6) engage independent certified public accountants to prepare an annual audit of  
14 each of the funds for which the corporation is responsible and to report to the board with the  
15 results of the audit;

16 (7) advise the commissioner of administration concerning the investment of funds  
17 held under the state deferred compensation program.

18 (b) The board may

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

21 (2) employ legal counsel;

22 (3) enter into an agreement with the manager of another state fund to assume  
23 fiduciary, administrative, or management responsibilities for investing the other state fund;

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

26 Sec. 37.10.230. CONFLICTS OF INTEREST. (a) Trustees, the executive director,  
27 investment officers, and other fiduciaries who are employees of the corporation are subject to the  
28 provisions of AS 39.50. The board may designate other employees who are also subject to the  
29 provisions of AS 39.50.

30 (b) If a trustee, officer, or employee of the corporation acquires, owns, or controls an  
31 interest, direct or indirect, in an entity or project in which assets under the control of the

1 corporation are invested, the trustee, officer, or employee shall immediately disclose the interest  
2 to the board. The disclosure is a matter of public record and shall be included in the minutes  
3 of the board meeting next following the disclosure. The board shall adopt regulations to restrict  
4 trustees, officers, and employees from having a substantial interest in an entity or project in  
5 which assets under the control of the corporation are invested.

6 (c) Failure to comply with the requirements of this section or regulations enacted under  
7 it is grounds for termination of employment.

8 Sec. 37.10.240. REGULATIONS. The board may adopt regulations under the Admin-  
9 istrative Procedure Act (AS 44.62) to implement AS 37.10.210 - 37.10.390.

10 Sec. 37.10.250. COMPENSATION OF TRUSTEES. Trustees, other than trustees who  
11 are employees of the state or a political subdivision of the state, receive an honorarium of \$150  
12 for each day spent at a meeting of the board or at a meeting of a subcommittee of the board or  
13 at a public meeting as a representative of the board. Trustees who are state employees are  
14 entitled to administrative leave for service as a trustee. Trustees who are employees of a political  
15 subdivision of the state are entitled to leave benefits provided by their employers comparable to  
16 those provided to state employees for service as a trustee. Trustees are entitled to per diem and  
17 travel expenses authorized for boards and commissions under AS 39.20.180.

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

24 (b) The board shall adopt regulations that restrict the executive director, investment  
25 directors, other officers, and employees from having financial interest, directly or indirectly, in  
26 firms or corporations that provide services to the corporation. Officers and employees of the  
27 corporation are subject to AS 39.52.

28 (c) The executive director and each investment director shall file a bond for the faithful  
29 performance of duties in the amount and with the sureties as required by the board.

30 (d) Officers and employees of the corporation are members of the exempt service under  
31 AS 39.25.110.

1 (e) A deed, contract, or other document that must be executed by or on behalf of the  
2 corporation shall be signed by the executive director.

3 Sec. 37.10.270. INVESTMENT ADVISORY COUNCIL. (a) The board shall appoint  
4 an investment advisory council composed of at least three and not more than five members.  
5 Members of the council shall possess experience and expertise in financial investments and  
6 management of investment portfolios for public, corporate, or union pension benefit funds,  
7 foundations, or endowments.

8 (b) Members of the council serve at the pleasure of the board for staggered terms of three  
9 years.

10 (c) The board shall establish the compensation of members of the council. Members of  
11 the council are entitled to per diem and travel expenses authorized for boards and commissions  
12 under AS 39.20.180.

13 (d) The council shall

14 (1) review the investments made by the board;

15 (2) make recommendations to the board concerning the board's investment  
16 policies, investment strategy, and investment procedures;

17 (3) advise the board on selection of performance consultants, auditors, and on the  
18 form and content of annual reports;

19 (4) provide other advice as requested by the board.

20 (e) With approval of the board, the council may contract with other state agencies to  
21 provide investment advice.

22 Sec. 37.10.280. INSURANCE. The corporation shall protect trustee assets and its own  
23 assets, services, and employees by purchasing insurance or providing for self-insurance retention  
24 in amounts recommended by the executive director and approved by the board to cover the acts,  
25 including fiduciary acts, errors, and omissions of its board members, officers, employees, and  
26 agents. Insurance must protect the corporation and the state from liability to others and from loss  
27 of trustee assets and assets of the corporation.

28 Sec. 37.10.290. EXEMPTION FROM TAXATION. Except as provided in  
29 AS 29.45.030(a) for property acquired through foreclosure or deed in lieu of foreclosure, the  
30 corporation and all properties at any time owned by it, managed by it, or held by it in trust, and  
31 the income from those activities, are exempt from all taxes and assessments in the state. All

1 security instruments issued by the corporation and income from them are exempt from all taxes  
2 and assessments in the state, including transfer taxes.

3 Sec. 37.10.300. SURETY FOR DEPOSITS WITH BANKS. Banks, trust companies,  
4 savings banks, other persons carrying on a banking business, and other financial institutions, are  
5 authorized to give sureties to the corporation. The sureties shall be approved by the corporation  
6 to the effect that the banks or financial institutions shall faithfully keep and pay over to the order  
7 of or upon the warrant of the corporation or its authorized agent all money deposited with them  
8 by the corporation and agreed interest, at the times or upon the demands agreed on with the  
9 banks or financial institutions. In lieu of these sureties, a depository bank or other financial  
10 institution shall deposit with the corporation or its authorized agent or a trustee as collateral,  
11 securities approved by the corporation. The deposits of the corporation may be evidenced by  
12 agreements in the form and upon the terms and conditions that are agreed upon by the  
13 corporation and the depository banks or financial institutions.

14 Sec. 37.10.310. LIMITATIONS. The corporation may not engage in commercial banking  
15 activity or private trust activity. The corporation may not act as a depository or trustee for a  
16 private person, association, or corporation. The corporation may not act as a lender to a private  
17 person, association, or corporation of money from any source except state funds under  
18 management by the corporation.

19 Sec. 37.10.320. LIABILITY. A liability incurred by the corporation shall be satisfied  
20 exclusively from the assets or revenue of the corporation and a creditor or other person may not  
21 have a right of action against the state because of a debt, obligation, or liability of the  
22 corporation. A liability of the corporation may not be satisfied from trust assets unless expressly  
23 authorized by law.

24 Sec. 37.10.390. DEFINITIONS. In AS 37.10.210 - 37.10.390, unless the context  
25 otherwise requires,

26 (1) "board" means the board of trustees of the corporation;

27 (2) "corporation" means the Alaska State Pension Corporation;

28 (3) "retirement systems" means the teachers' retirement system, the judicial  
29 retirement system, the Alaska National Guard and Alaska Naval Militia retirement system, and  
30 the public employees' retirement system.

31 \* Sec. 2. AS 06.05.025 is amended by adding a new subsection to read:

1 (d) At the request of the board of trustees of the Alaska State Pension Corporation or of  
2 the legislative auditor, the department shall make an examination of the corporation under this  
3 section.

4 \* Sec. 3. AS 14.25.035(d) is amended to read:

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

10 \* Sec. 4. AS 14.25.180 is amended to read:

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

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

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

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

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

20 (b) The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] may  
21 invest the fund on the basis of probable total rate of return without regard to the distinction  
22 between principal and income or to the generation of income.

23 (c) In carrying out investment duties under this chapter, the Alaska State Pension  
24 Corporation [COMMISSIONER OF REVENUE] has the same powers and duties in regard to  
25 the teacher's retirement trust fund as are provided in AS 37.10.071, except that the standard of  
26 prudence that the corporation [COMMISSIONER] must obey under AS 37.10.071(c) shall be  
27 in regard to the management of large trust investments rather than large investments.

28 \* Sec. 5. AS 14.25.200(a) is amended to read:

29 (a) Except as provided in AS 29.45.030(a)(1), member [MEMBER] contributions and  
30 other amounts held in the system on behalf of a member or other person who is or may become  
31 eligible for benefits under the system are exempt from Alaska state and municipal taxes and are

1 not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge  
2 of any kind, either voluntary or involuntary, before they are received by the person entitled to  
3 the amount under the terms of the system, and any attempt to anticipate, alienate, sell, transfer,  
4 assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the  
5 system is void. However, a member's right to receive benefits may be assigned under a qualified  
6 domestic relations order.

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

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

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

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

16 \* Sec. 8. AS 29.45.030(a) is amended to read:

17 (a) The following property is exempt from general taxation:

18 (1) municipal, state, or federally owned property, except that

19 (A) a private leasehold, contract, or other interest in the property is taxable  
20 to the extent of the interest;

21 (B) property acquired by the Alaska State Pension Corporation  
22 through foreclosure or deed in lieu of foreclosure and retained as an investment of  
23 the corporation is taxable;

24 (2) household furniture and personal effects of members of a household;

25 (3) property used exclusively for nonprofit religious, charitable, cemetery,  
26 hospital, or educational purposes;

27 (4) property of a nonbusiness organization composed entirely of persons with 90  
28 days or more of active service in the armed forces of the United States whose conditions of  
29 service and separation were other than dishonorable, or the property of an auxiliary of that  
30 organization;

31 (5) money on deposit;

1 (6) the real property of certain residents of the state to the extent and subject to  
2 the conditions provided in (c) of this section;

3 (7) real property or an interest in real property that is exempt from taxation under  
4 43 U.S.C. 1620(d), as amended.

5 \* Sec. 9. AS 29.45 is amended by adding a new section to read:

6 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON CERTAIN  
7 GOVERNMENTAL PROPERTY. AS 29.45.300 - 29.45.490 do not apply to property taxable  
8 under AS 29.45.030(a)(1)(B). A municipality may bring an action in the court of proper  
9 jurisdiction to compel payment of property taxes due from the Alaska State Pension Corporation,  
10 if the corporation does not pay the amount due within six months after the date that the taxes are  
11 due.

12 \* Sec. 10. AS 36.30.850(b)(15) is amended to read:

13 (15) a contract that is a delegation, in whole or in part, of investment powers held  
14 by the commissioner of revenue under [AS 14.25.180,] AS 14.40.400, AS 14.42.200, 14.42.210,  
15 AS 18.56.095, [AS 22.25.048, AS 26.05.228,] AS 37.10.070, 37.10.071, or AS 37.14 [, OR  
16 AS 39.35.080];

17 \* Sec. 11. AS 36.30.990(1) is amended to read:

18 (1) "agency"

19 (A) means a department, institution, board, commission, division,  
20 authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of  
21 the executive branch of state government;

22 (B) does not include

23 (i) the University of Alaska;

24 (ii) the Alaska State Housing Authority;

25 (iii) the Alaska Railroad Corporation;

26 (iv) the Alaska Housing Finance Corporation;

27 (v) a regional Native housing authority created under

28 AS 18.55.996, or a regional electrical authority created under AS 18.57.020; or

29 (vi) the Alaska State Pension Corporation;

30 \* Sec. 12. AS 37.05.146 is amended to read:

31 Sec. 37.05.146. DEFINITION OF PROGRAM RECEIPTS. In AS 37.05.142 - 37.05.146

1 and AS 37.07.080 "program receipts" means fees, charges, income earned on assets, and other  
2 state money received by a state agency in connection with the performance of its functions; all  
3 program receipts except the following are general fund program receipts:

4 (1) federal receipts;

5 (2) University of Alaska receipts (AS 14.40.491);

6 (3) individual, foundation, or corporation gifts, grants, or bequests that by their  
7 terms are restricted to a specific purpose;

8 (4) receipts of the following funds:

9 (A) highway working capital fund (AS 44.68.210);

10 (B) correctional industries fund (AS 33.32.020);

11 (C) loan funds;

12 (D) international airport revenue fund (AS 37.15.430);

13 (E) funds managed by the Alaska State Housing Authority (AS 18.55.020),  
14 the Alaska Housing Finance Corporation (AS 18.56.020), the Medical Indemnity  
15 Corporation of Alaska (AS 21.88.020), the Alaska Railroad Corporation (AS 42.40.010),  
16 the Municipal Bond Bank Authority (AS 44.85.020), or the Alaska Industrial  
17 Development and Export Authority (AS 44.88.020);

18 (F) fish and game fund (AS 16.05.100);

19 (G) school fund (AS 43.50.140);

20 (H) training and building fund (AS 23.20.130);

21 (I) retirement funds (AS 14.25, AS 22.25, AS 26.05.222, AS 39.35, and  
22 former AS 39.37);

23 (J) permanent fund (art. IX, sec. 15, Alaska Constitution);

24 (K) public school trust (AS 37.14.110);

25 (L) second injury fund (AS 23.30.040);

26 (M) fishermen's fund (AS 23.35.060);

27 (N) FICA administration fund (AS 39.30.050);

28 (O) receipts of the employee benefits program established under  
29 AS 39.30.150 - 39.30.180;

30 (P) receipts of the deferred compensation program established under  
31 AS 39.45.

1 \* Sec. 13. AS 37.10.071 is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

27 (1) delegate investment, custodial, or depository authority on a discretionary or  
28 nondiscretionary basis to officers or employees of the state or to independent firms, banks,  
29 financial institutions, or trust companies, by designation through appointments, contracts, or  
30 letters or authority;

31 (2) acquire or dispose of investments either directly, indirectly, or through

1 investment pools or trusts, by competitive or negotiated agreements, contracts, or auctions, in  
2 public or private markets;

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

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

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

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

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

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

19 (9) declare records to be confidential and exempt from AS 09.25.110 and  
20 09.25.120 if the records contain information that discloses the particulars of the business or the  
21 affairs of a private enterprise, investor, borrower, advisor, consultant, counsel, or manager.

22 (c) In exercising investment, custodial, or depository powers or duties under this section,  
23 the fiduciary of a state fund [COMMISSIONER] shall exercise the judgment and care under  
24 the circumstances then prevailing that an institutional investor of ordinary professional prudence,  
25 discretion, and intelligence exercises in managing large investments with consideration for the  
26 purpose of the fund, the investment objectives, the continuing disposition of the fund's invest-  
27 ments, and the probable safety of the capital as well as the probable investment returns. With  
28 respect to the Alaska State Pension Corporation, the fiduciaries of the corporation shall  
29 apply the prudent investor rule and exercise their fiduciary duty in the sole financial best  
30 interest of the funds entrusted to them and of the beneficiaries of those funds. The trustees  
31 may not make or authorize investment decisions or the voting of shares for a purpose other

1 than the sole financial best interest of the funds or beneficiaries.

2 (d) In exercising investment, custodial, or depository powers or duties under this section,  
3 the fiduciary or the fiduciary's [COMMISSIONER OR A] designee [OF THE  
4 COMMISSIONER] is liable for a breach of a duty that is assigned or delegated under this  
5 section, or under AS 14.25.180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, 37.-  
6 14.170, or AS 39.35.080. However, the fiduciary or the [COMMISSIONER OR THE  
7 COMMISSIONER'S] designee is not liable for a breach of a duty that has been delegated to  
8 another person if the delegation is prudent under the applicable standard of prudence set out in  
9 statute or if the duty is assigned by law to another person, except to the extent that the fiduciary  
10 [COMMISSIONER] or designee

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

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

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

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

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

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

27 (2) with respect to the Alaska State Pension Corporation, for investments  
28 under AS 14.25.180,

29 (A) each trustee who serves on the corporation's board of directors;

30 (B) each officer of the corporation; and

31 (C) any other person who exercises control or authority with respect

1 to management or disposition of assets held by the corporation or who gives  
2 investment advice to the corporation; or

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

5 \* Sec. 14. AS 39.25.110(11) is amended by adding a new subparagraph to read:

6 (G) Alaska State Pension Corporation;

7 \* Sec. 15. AS 39.30 is amended by adding a new section to read:

8 Sec. 39.30.175. INVESTMENT OF BENEFIT PROGRAM RECEIPTS. The State  
9 Pension Corporation is the fiduciary of the receipts of the employee benefits program established  
10 under AS 39.30.150 - 39.30.180 and has the same powers and duties concerning the management  
11 and investment in regard to those receipts as are provided under AS 14.25.180.

12 \* Sec. 16. AS 39.35.020 is amended to read:

13 Sec. 39.35.020. ADMINISTRATION. The commissioner of administration is responsible  
14 for the administration of the system and for carrying out this chapter. In addition the  
15 commissioner shall

16 (1) maintain the accounts of the system;

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

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

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

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

24 (A) a balance sheet;

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

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

27 (D) a summary of assets held in the pension fund listed by the categories  
28 of investment, as provided by the Alaska State Pension Corporation [COMMISSIONER  
29 OF REVENUE];

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

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

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

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

7 \* Sec. 17. AS 39.35.080 is amended to read:

8 Sec. 39.35.080. DUTIES OF THE ALASKA STATE PENSION CORPORATION  
9 [COMMISSIONER OF REVENUE]. The Alaska State Pension Corporation  
10 [COMMISSIONER OF REVENUE] is the [TREASURER OF THE SYSTEM AND THE]  
11 fiduciary of the fund. The corporation [COMMISSIONER] has the same powers and duties  
12 established under this chapter in regard to the fund as are provided in AS 14.25.035(d) and  
13 14.25.180.

14 \* Sec. 18. AS 39.35.500 is amended to read:

15 Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE SYSTEM.  
16 Except as provided in AS 29.45.030(a)(1)(B), employee [EMPLOYEE] contributions and other  
17 amounts held in the system are exempt from Alaska state and local taxes. Amounts held on  
18 behalf of, or payable to, any employee or other person who is or may become eligible for  
19 benefits under the system are not subject to anticipation, alienation, sale, transfer, assignment,  
20 pledge, encumbrance, or charge of any kind, either voluntary or involuntary, before being  
21 received by the person entitled to the amount under the terms of the system. An attempt to  
22 anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a  
23 right to amounts held under the system is void. However, an employee's right to receive benefits  
24 may be assigned under a qualified domestic relations order.

25 \* Sec. 19. AS 39.45.030 is amended by adding a new subsection to read:

26 (c) Before investing the funds held under the state deferred compensation program, the  
27 administrator of the program shall consult with the Alaska State Pension Corporation. The  
28 commissioner shall reimburse the corporation for the cost of providing the advice.

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

30 (52) Alaska State Pension Corporation (AS 37.10.210).

31 \* Sec. 21. AS 44.25.020 is amended to read:

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

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

3                     (2) collect, account for, have custody of, invest, and manage all state funds and  
4 all revenues of the state except revenues incidental to a program of licensing and regulation  
5 carried on by another state department and funds managed and invested by the Alaska State  
6 Pension Corporation;

7                     (3) register cattle brands;

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

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

12 \* Sec. 22. TRANSITION. All litigation, hearings, investigations, and other proceedings pending  
13 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,  
14 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal  
15 provided for in this Act. Orders and regulations issued or adopted under authority of a law amended  
16 or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise  
17 modified under the provisions of this Act. All contracts, rights, liabilities and obligations created by or  
18 under a law amended or repealed by this Act, and in effect on the effective date set out in sec. 25 of this  
19 Act, remain in effect notwithstanding this Act's taking effect. Records, equipment, and other property  
20 of agencies of the state whose functions are transferred under this Act shall be transferred commensurate  
21 with the provisions of this Act.

22 \* Sec. 23. ORGANIZATION OF TRUSTEES. (a) Notwithstanding AS 37.10.210(c), enacted by  
23 sec. 1 of this Act, the initial terms of the members, other than the commissioner of revenue, of the board  
24 of trustees of the Alaska State Pension Corporation shall be as follows:

25                    (1) one elected member and one appointed member shall serve terms of four years;

26                    (2) one elected member shall serve a three-year term;

27                    (3) one elected member and one appointed member shall serve terms of two years;

28                    (4) one elected member and one appointed member shall serve one-year terms.

29                    (b) The board of trustees of the Alaska State Pension Corporation may hold organizational  
30 meetings as soon as a quorum of the board has been appointed to or selected for the board.

31 \* Sec. 24. AS 37.10.210 and 37.10.230 - 37.10.390, enacted by sec. 1 of this Act, and sec. 23 of this

1 Act take effect July 1, 1991.

2 \* Sec. 25. Except as provided in sec. 24 of this Act, this Act takes effect on the earlier of July 1,  
3 1992, or the date established by resolution of the board of trustees of the Alaska State Pension  
4 Corporation for the transfer to it of securities and assets of the retirement funds. The board shall  
5 promptly provide the revisor of statutes and the lieutenant governor with a copy of this resolution.