

CS FOR HOUSE BILL NO. 494(STA) am
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Amended: 3/25/94

Offered: 3/14/94

Sponsor(s): REPRESENTATIVES MACLEAN, Ulmer

A BILL
FOR AN ACT ENTITLED

1 "An Act changing the Alaska State Pension Investment Board to the Alaska
 2 Pension Investment Authority and relating to the authority; and providing for an
 3 effective date."

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

5 * Section 1. AS 37.10.071(f) is amended to read:

- 6 (f) In this section, "fiduciary of a state fund" or "fiduciary" means
- 7 (1) the commissioner of revenue for investments under AS 37.10.070;
- 8 (2) with respect to the Alaska Pension Investment Authority [STATE
 9 PENSION INVESTMENT BOARD], for investments under AS 14.25.180,
- 10 (A) each trustee who serves on the authority; [BOARD OF
 11 TRUSTEES; AND]
- 12 (B) each officer of the authority;
- 13 (C) any other person who exercises control or authority with
 14 respect to management or disposition of assets for which the authority

1 [BOARD] is responsible or who gives investment advice to the authority
2 [BOARD]; or

3 (3) for investments not subject to AS 14.25.180 or AS 37.10.070, the
4 person or body provided by law to manage the investments [FOR INVESTMENTS
5 NOT SUBJECT TO AS 14.25.180 OR AS 37.10.070].

6 * Sec. 2. AS 37.10.210(a) is repealed and reenacted to read:

7 (a) The Alaska Pension Investment Authority is established as a public
8 corporation and government instrumentality in the Department of Revenue. The
9 authority has a legal existence independent of and separate from the state. The
10 purpose of the authority is to have custody of and provide prudent and productive
11 management and investment of state pension funds and, if the authority secures the
12 agreement of the commissioner of the department or the fiduciary responsible for
13 another fund, of other state funds.

14 * Sec. 3. AS 37.10.220(a) is amended to read:

15 (a) The trustees of the authority [BOARD] shall

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

18 (2) establish investment policies for the funds for which the authority
19 [IT] is responsible after reviewing recommendations from the investment advisory
20 council and the executive director [DEPARTMENT OF REVENUE];

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

23 (4) report to the governor, the legislature, and employers participating
24 in the retirement systems by the first day of each regular legislative session concerning
25 the investment of funds for which the authority [BOARD] is responsible, including
26 financial and investment policies established by the authority [BOARD], and enclose
27 a summary of the most recent performance evaluations of the funds managed by the
28 authority [BOARD];

29 (5) contract with external performance evaluators to review the
30 performance of each fund for which the authority [BOARD] is responsible and report
31 each year on the fund's condition to the authority [BOARD OF TRUSTEES] and to

1 the other appropriate boards;

2 (6) engage independent certified public accountants to perform an
3 annual audit of each of the funds for which the authority [BOARD] is responsible and
4 to report to the authority [BOARD] with the results of the audit;

5 (7) review the actuarial earnings assumption for each fund for which
6 the authority [BOARD] is responsible every two years and report its findings and
7 recommendations to the appropriate board or agency;

8 (8) after reviewing the recommendations from the executive director,
9 other staff members, [DEPARTMENT OF REVENUE] and the advisory council,
10 select and retain the external investment managers and custodians for the funds
11 managed by the authority [BOARD];

12 (9) develop an annual operating budget plan and present it to the
13 Department of Revenue, the office of management and budget, and the legislature.

14 * Sec. 4. AS 37.10.220(d) is amended to read:

15 (d) The chair of the trustees [BOARD] shall appoint the executive director
16 or a trustee to present the authority's [BOARD'S] position to legislative committees
17 when the committees are considering the authority's [BOARD'S] operating budget.
18 The authority [BOARD] is otherwise subject to AS 37.07 as provided in
19 AS 37.10.265.

20 * Sec. 5. AS 37.10.230 is amended to read:

21 Sec. 37.10.230. CONFLICTS OF INTEREST. (a) Trustees, the executive
22 director, and the investment officers of the authority are subject to the provisions
23 of AS 39.50.

24 (b) If a trustee or the executive director or an investment officer of the
25 authority acquires, owns, or controls an interest, direct or indirect, in an entity or
26 project in which assets under the control of the authority [BOARD] are invested, the
27 trustee or officer shall immediately disclose the interest to the authority [BOARD].
28 The disclosure is a matter of public record and shall be included in the minutes of the
29 authority's [BOARD] meeting next following the disclosure.

30 (c) The authority [BOARD] shall adopt regulations to restrict trustees,
31 officers, and other employees from having a substantial interest in an entity or project

1 in which assets under the control of the authority [BOARD] are invested.

2 * Sec. 6. AS 37.10.230 is amended by adding new subsections to read:

3 (d) The executive director may designate additional officers and employees of
4 the authority who are subject to the provisions of AS 39.50 because of their
5 responsibility for participating in the management or investment of the funds for which
6 the authority is responsible. If an officer or employee of the authority designated
7 under this subsection acquires, owns, or controls an interest, direct or indirect, in an
8 entity or project in which assets under the control of the authority are invested, the
9 officer or employee shall immediately disclose the interest to the trustees as required
10 by (b) of this section.

11 (e) Failure to comply with the requirements of this section or regulations
12 adopted under this section is grounds for termination of employment.

13 * Sec. 7. AS 37.10.260 is repealed and reenacted to read:

14 Sec. 37.10.260. STAFF. (a) The authority may employ and determine the
15 salary of an executive director. The executive director may, with the approval of the
16 trustees, select and employ additional staff as necessary. An employee of the
17 authority, including the executive director, may not be a trustee of the authority. The
18 executive director and other employees of the authority are in the exempt service under
19 AS 39.25.110.

20 (b) A person who has served as a trustee of the authority or on the board of
21 directors of the former Alaska State Pension Investment Board may not be employed
22 by the authority for a period of one year after the end of the service as a trustee or on
23 the board of directors, as appropriate.

24 * Sec. 8. AS 37.10 is amended by adding a new section to read:

25 Sec. 37.10.265. BUDGET OF THE AUTHORITY. Funds under the control
26 of the authority may be identified as the source of the operating budget of the authority
27 in the state's operating budget under AS 37.07 (Executive Budget Act).

28 * Sec. 9. AS 37.10.280 is amended to read:

29 Sec. 37.10.280. INSURANCE. The authority [BOARD] shall ensure that
30 trusteed assets and [ITS OWN] services of the trustees, officers, employees, and
31 agents of the authority are protected. At the direction of the trustees, the authority

1 [THE BOARD] may purchase insurance or provide for self-insurance retention in
2 amounts recommended by the executive director [COMMISSIONER OF REVENUE]
3 and approved by the trustees [BOARD] to cover the acts, including fiduciary acts,
4 errors, and omissions of trustees, officers, employees, [ITS BOARD MEMBERS] and
5 agents of the authority. Insurance must protect the authority [BOARD] and the state
6 from liability to others and from loss of trusteed assets due to the acts or omissions
7 of the trustees, officers, employees, and agents of the authority.

8 * Sec. 10. AS 37.10.290 is amended to read:

9 Sec. 37.10.290. EXEMPTION FROM TAXATION. Except as provided in
10 AS 29.45.030(a) for property acquired through foreclosure or deed in lieu of
11 foreclosure, the authority, funds managed by the authority, [BOARD] and all
12 properties at any time owned by the authority [IT], managed by it, or held by it in
13 trust, and the income from those activities or funds, are exempt from all taxes and
14 assessments in the state. All security instruments issued by the authority [BOARD]
15 and income from them are exempt from all taxes and assessments in the state,
16 including transfer taxes.

17 * Sec. 11. AS 37.10.300 is amended to read:

18 Sec. 37.10.300. LIMITATIONS. The authority [BOARD] may not engage
19 in commercial banking activity or private trust activity. The authority [BOARD] may
20 not act as a depository or trustee for a private person, association, or corporation. The
21 authority [BOARD] may not act as a lender to a private person, association, or
22 corporation of money from any source except state funds under control of
23 [MANAGEMENT BY] the authority [BOARD].

24 * Sec. 12. AS 37.10.390(1) is repealed and reenacted to read:

25 (1) "authority" means the Alaska Pension Investment Authority;

26 * Sec. 13. AS 39.25.110(11) is amended to read:

27 (11) the officers and employees of the following boards, commissions,
28 and authorities:

29 (A) Alaska Gas Pipeline Financing Authority;

30 (B) Alaska Permanent Fund Corporation;

31 (C) Alaska Industrial Development and Export Authority;

- 1 (D) Alaska Commercial Fisheries Entry Commission;
- 2 (E) Alaska Commission on Postsecondary Education;
- 3 (F) Alaska Aerospace Development Corporation;
- 4 (G) Alaska Pension Investment Authority;

5 * Sec. 14. AS 44.25.020 is amended to read:

6 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue
7 shall

- 8 (1) enforce the tax laws of the state;
- 9 (2) collect, account for, have custody of, invest, and manage all state
10 funds and all revenues of the state except revenues incidental to a program of licensing
11 and regulation carried on by another state department and funds managed and invested
12 by the Alaska Pension Investment Authority [STATE PENSION INVESTMENT
13 BOARD];
- 14 (3) register cattle brands;
- 15 (4) supply necessary clerical and administrative services for the
16 Alcoholic Beverage Control Board;
- 17 (5) invest and manage the balance of the power development fund in
18 accordance with AS 44.83.386;
- 19 (6) in accordance with the policies established by the [BOARD OF]
20 trustees of the Alaska Pension Investment Authority [STATE PENSION
21 INVESTMENT BOARD], collect and [,] account for [, HAVE CUSTODY OF,
22 INVEST, AND MANAGE] the state funds for which the authority [BOARD] is
23 responsible;
- 24 (7) administer the surety bond program for licensure as a fish processor
25 or primary fish buyer.

26 * Sec. 15. AS 44.25.028 is repealed.

27 * Sec. 16. IMPLEMENTING NAME CHANGE. To be consistent with the name change
28 made by this Act, wherever in the Alaska Statutes, and in regulations adopted under those
29 statutes, "Alaska State Pension Investment Board" or "board" are used, they shall be read as
30 referring to the "Alaska Pension Investment Authority" or "authority," as appropriate. Under
31 AS 01.05.031, the revisor of statutes shall implement this section in the statutes, and, under

1 AS 44.62.125(b)(6), the regulations attorney shall implement this section in the administrative
2 regulations.

3 * Sec. 17. TRANSITIONAL PROVISION CONCERNING BOARD MEMBERS. The
4 trustees of the Alaska State Pension Investment Board on June 30, 1994, shall become the
5 trustees of the Alaska Pension Investment Authority on July 1, 1994.

6 * Sec. 18. TRANSITIONAL PROVISIONS RELATING TO CREATION OF THE
7 AUTHORITY. All litigation, hearings, investigations, and other proceedings pending under
8 a law amended or repealed by this Act, or in connection with functions transferred by this Act,
9 continue in effect and may be continued and completed notwithstanding a transfer,
10 amendment, or repeal provided for in this Act. Orders and regulations issued or adopted
11 under authority of a law amended or repealed by this Act remain in effect for the term issued,
12 or until revoked, vacated, or otherwise modified under the provisions of this Act. All
13 contracts, rights, liabilities, and obligations created by or under a law amended or repealed by
14 this Act, and in effect on July 1, 1994, remain in effect notwithstanding this Act's taking
15 effect. Records, equipment, and other property of agencies of the state whose functions are
16 transferred under this Act shall be transferred commensurate with the provisions of this Act.

17 * Sec. 19. This Act takes effect July 1, 1994.