

**SENATE CS FOR CS FOR HOUSE BILL NO. 494(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**EIGHTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered: 5/8/94**  
**Referred: Rules**

**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 AS 37.10.210(a) is repealed and reenacted to read:**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 37.10.210 is amended by adding a new subsection to read:**

15          **(j) The offices of the executive director and principal investment staff of the**  
16          **authority shall be the authority's headquarters. The headquarters shall be located in**  
17          **an Alaskan metropolitan area with a population in excess of 25,000, and it shall be**  
18          **other than the metropolitan area that is the location of the headquarters of the Alaska**  
19          **Permanent Fund Corporation.**

20   \* **Sec. 4. AS 37.10.220(a) is amended to read:**

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

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

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

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

29                  **(4) report to the governor, the legislature, and employers participating**  
30          **in the retirement systems by the first day of each regular legislative session concerning**  
31          **the investment of funds for which the authority [BOARD] is responsible, including**

1 financial and investment policies established by the authority [BOARD], and enclose  
2 a summary of the most recent performance evaluations of the funds managed by the  
3 authority [BOARD];

4 (5) contract with external performance evaluators to review the  
5 performance of each fund for which the authority [BOARD] is responsible and report  
6 each year on the fund's condition to the authority [BOARD OF TRUSTEES] and to  
7 the other appropriate boards;

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

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

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

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

20 \* Sec. 5. AS 37.10.220(d) is amended to read:

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

26 \* Sec. 6. AS 37.10.230 is amended to read:

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

30 (b) If a trustee or the executive director or an investment officer of the  
31 authority acquires, owns, or controls an interest, direct or indirect, in an entity or

1 project in which assets under the control of the authority [BOARD] are invested, the  
2 trustee or officer shall immediately disclose the interest to the authority [BOARD].  
3 The disclosure is a matter of public record and shall be included in the minutes of the  
4 authority's [BOARD] meeting next following the disclosure.

5 (c) The authority [BOARD] shall adopt regulations to restrict trustees,  
6 officers, and other employees from having a substantial interest in an entity or project  
7 in which assets under the control of the authority [BOARD] are invested.

8 \* Sec. 7. AS 37.10.230 is amended by adding new subsections to read:

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

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

19 \* Sec. 8. AS 37.10.260 is repealed and reenacted to read:

20 Sec. 37.10.260. STAFF. The authority may employ and determine the salary  
21 of an executive director. The executive director may, with the approval of the trustees,  
22 select and employ additional staff as necessary. An employee of the authority,  
23 including the executive director, may not be a trustee of the authority. The executive  
24 director and other employees of the authority are in the exempt service under  
25 AS 39.25.110.

26 \* Sec. 9. AS 37.10 is amended by adding a new section to read:

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

30 \* Sec. 10. AS 37.10.280 is amended to read:

31 Sec. 37.10.280. INSURANCE. The authority [BOARD] shall ensure that:

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

10    \* Sec. 11. AS 37.10.290 is amended to read:

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

19    \* Sec. 12. AS 37.10.300 is amended to read:

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

26    \* Sec. 13. AS 37.10.390(1) is repealed and reenacted to read:

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

28    \* Sec. 14. AS 39.25.110(11) is amended to read:

29            (11) the officers and employees of the following boards, commissions,  
30        and authorities:

31                    (A) Alaska Gas Pipeline Financing Authority;

- 1 (B) Alaska Permanent Fund Corporation;
- 2 (C) Alaska Industrial Development and Export Authority;
- 3 (D) Alaska Commercial Fisheries Entry Commission;
- 4 (E) Alaska Commission on Postsecondary Education;
- 5 (F) Alaska Aerospace Development Corporation;
- 6 (G) Alaska Pension Investment Authority;

7 \* Sec. 15. AS 44.25.020 is amended to read:

8 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue  
9 shall

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

28 \* Sec. 16. AS 44.25.028 is repealed.

29 \* Sec. 17. IMPLEMENTING NAME CHANGE. To be consistent with the name change  
30 made by this Act, wherever in the Alaska Statutes, and in regulations adopted under those  
31 statutes, "Alaska State Pension Investment Board" or "board" are used, they shall be read as

1 referring to the "Alaska Pension Investment Authority" or "authority," as appropriate. Under  
2 AS 01.05.031, the revisor of statutes shall implement this section in the statutes, and, under  
3 AS 44.62.125(b)(6), the regulations attorney shall implement this section in the administrative  
4 regulations.

5 \* Sec. 18. TRANSITIONAL PROVISION CONCERNING BOARD MEMBERS. The  
6 trustees of the Alaska State Pension Investment Board on June 30, 1994, shall become the  
7 trustees of the Alaska Pension Investment Authority on July 1, 1994.

8 \* Sec. 19. TRANSITIONAL PROVISIONS RELATING TO CREATION OF THE  
9 AUTHORITY. All litigation, hearings, investigations, and other proceedings pending under  
10 a law amended or repealed by this Act, or in connection with functions transferred by this Act,  
11 continue in effect and may be continued and completed notwithstanding a transfer,  
12 amendment, or repeal provided for in this Act. Orders and regulations issued or adopted  
13 under authority of a law amended or repealed by this Act remain in effect for the term issued,  
14 or until revoked, vacated, or otherwise modified under the provisions of this Act. All  
15 contracts, rights, liabilities, and obligations created by or under a law amended or repealed by  
16 this Act, and in effect on July 1, 1994, remain in effect notwithstanding this Act's taking  
17 effect. Records, equipment, and other property of agencies of the state whose functions are  
18 transferred under this Act shall be transferred commensurate with the provisions of this Act.

19 \* Sec. 20. Section 3 of this Act takes effect July 1, 1995.

20 \* Sec. 21. Except as provided in sec. 20 of this Act, this Act takes effect July 1, 1994.