

SENATE BILL NO. 359

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 3/14/94
Referred: L&C, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to investment pools for public entities; and providing for an
2 effective date."

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

4 * Section 1. AS 37.23.020 is amended to read:

5 Sec. 37.23.020. AUTHORIZED INVESTMENTS. An investment pool may
6 invest only in securities that have a final maturity date within 13 months after the date
7 of purchase, except that floating rate securities with a final maturity date that is
8 longer than 13 months may be purchased if they are subject to at least an annual
9 reset. Investments may only include

10 (1) obligations of the United States and of an agency or instrumentality
11 of the United States;

12 (2) repurchase and reverse repurchase agreements secured by the
13 Treasury of the United States and obligations of an agency or instrumentality of the
14 United States;

1 (3) certificates of deposit, bankers acceptances, and other similar
2 obligations of a bank domiciled in the United States that has

3 (A) outstanding debt rated A or higher by at least one of the
4 nationally recognized rating services, including dollar-denominated
5 obligations issued by a United States branch of a foreign bank if the debt
6 of the parent is rated A or higher; and

7 (B) a combined capital and surplus aggregating at least
8 \$500,000,000;

9 (4) commercial paper and other short-term taxable instruments that, at
10 the time of investment, maintain the highest rating by at least two nationally
11 recognized rating services;

12 (5) obligations of a corporation domiciled in the United States or
13 obligations of a municipality that are taxable under federal law [,] if the obligations
14 are rated A or higher by at least two nationally recognized rating services at the time
15 of investment;

16 (6) certificates of deposit that are issued by a state or federally
17 chartered financial institution that is a commercial or mutual bank, savings and loan
18 association, or credit union and if the institution's accounts are insured through the
19 appropriate federal insuring agency of the United States, regardless of whether the
20 institution meets the requirements of (3) of this section;

21 (7) money market funds in which the securities of the fund consist of
22 obligations listed in this section and otherwise meet the requirements of this chapter;

23 (8) other cash equivalent investments with a maturity date of one year
24 or less after date of the investment that are of similar quality to those listed in (1) -
25 (7) of this section, are rated A or higher by at least one of the nationally recognized
26 rating services, and are approved by the public entities participating in that investment
27 pool.

28 * Sec. 2. AS 37.23 is amended by adding a new section to read:

29 Sec. 37.23.035. **SECURITIES LENDING.** Securities held by an investment
30 pool may be loaned if the securities are fully collateralized and the collateral is, for
31 safekeeping, in the possession of a person who is independent of the borrowers. The

1 collateral must meet institutional and prudent investor standards. All pool proceeds
2 from securities lending must inure to the benefit of investment pool participants.

3 * Sec. 3. AS 37.23.040 is amended to read:

4 Sec. 37.23.040. PORTFOLIO RESTRICTIONS. The portfolio of an
5 investment pool under this chapter may not contain

6 (1) more than five percent of total investments in securities of one
7 issuer unless the securities are an obligation of or guaranteed by the United States; or

8 (2) [MORE THAN 30 PERCENT OF TOTAL INVESTMENTS IN
9 SECURITIES OF COMPANIES WHOSE PRINCIPAL BUSINESS IS IN THE SAME
10 INDUSTRY; OR

11 (3)] transactions in futures, options, derivative securities, or short sales.

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