

**SB 18**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/4/91

FURTHER:

DATE TURNED INTO OFFICE: 2/20/91

The Finance Committee considered SSSB NO. 18

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

and recommended:

replace with \_\_\_\_\_ CS for SS SB 18 (Ren)  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_

same title  
 new title  
 technical title change (HB only)

attached amendment(s)  
 Finance letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

ATTACHES NEW FISCAL NOTE(S):  
Dept/Date:

APPROVES PREVIOUS:  
Dept/Date:

fiscal note(s) \_\_\_\_\_  
AK Pension Fund 10,109.6 2/11/91  
DOR, (9,846.95) 2/22/91

fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  
Dept Admin 0 2/9/91

zero fiscal note(s) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

J. A. ...  
...  
...  
...  
...

\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_

1. ... 2. ...  
Co-Chairs: Signatures and Recommendations

**FISCAL NOTE**

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. SS SB 18

Revision Date: February 11, 1991

Department Affected: Alaska State Pension Corporation

Title: Alaska State Pension Corporation

BRU: \_\_\_\_\_

Component: \_\_\_\_\_

Sponsor: Pourchot

Requestor: Senate State Affairs

Component Serial No.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	10,109.6	20,219.2	20,219.2	20,219.2	20,219.2	20,219.2
<b>TOTAL OPERATING</b>	<b>10,109.6</b>	<b>20,219.2</b>	<b>20,219.2</b>	<b>20,219.2</b>	<b>20,219.2</b>	<b>20,219.2</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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FUNDING: Thousands of Dollars

GENERAL FUND						
FEDERAL FUNDS						
OTHER: See Attached Detail	10,109.6	20,219.2	20,219.2	20,219.2	20,219.2	20,219.2
<b>TOTAL</b>	<b>10,109.6</b>	<b>20,219.2</b>	<b>20,219.2</b>	<b>20,219.2</b>	<b>20,219.2</b>	<b>20,219.2</b>

POSITIONS:

FULL-TIME				
PART-TIME				
TEMPORARY				

Changes in CS SB 18 (Fix) have no fiscal impact. This fiscal note is appropriate. 2/20/91

Estimate of current year impact: None

**ANALYSIS:** FY 92 - 97 are the amounts deleted from the Treasury budget on the attached fiscal note. FY 92 - 97 net incremental cost is \$2,889.15 which represents the management of the Supplemental Benefits Investment Fund and the difference between Treasury's original budget request and Treasury's budget per the Administration's request. This fiscal note does not take into effect a potential change of office location for the pension corporation.

Prepared by: Brian C. Andrews *CSA*

Phone: 465-2350

Division: Treasury

Date: \_\_\_\_\_

Approved by Commissioner: *[Signature]*

Agency: Revenue

Distribution by preparer: Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE (continued)

BILL NO.: SS SB 18

Alaska State Pension Corporation

OTHER FUNDING: Thousands of Dollars

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Public Employees Retirement Investment Fund	6,137.6	12,275.2	12,275.2	12,275.2	12,275.2	12,275.2
Teachers Retirement Investment Fund	3,712.65	7,425.3	7,425.3	7,425.3	7,425.3	7,425.3
Judicial Retirement Investment Fund	40.85	81.7	81.7	81.7	81.7	81.7
Military Retirement Investment Fund	8.55	17.1	17.1	17.1	17.1	17.1
Supplemental Benefits System <sup>1</sup>	209.95	419.9	419.9	419.9	419.9	419.9

<sup>1</sup> Annual Component Costs of the Supplemental Benefits System are as follows:

Personal Services \$ 68.3

Contractual Services:

Security Safekeeping \$ 28.0  
 Domestic Stock Management 185.6  
 International Stock Management 116.0  
 Performance Measurement 12.0  
 Audit 10.0

351.6

TOTAL \$419.9

FISCAL NOTE

SFC R/O 2/20/91

BILL NO. SS SB 18

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: February 11, 1991

Department Affected: Revenue

Title: Alaska State Pension Corporation

BRU: Treasury

Component: \_\_\_\_\_

Sponsor: Pourchot

Component Serial No.

Requestor: Senate State Affairs

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	(9,846.95)	(19,693.9)	(19,693.9)	(19,693.9)	(19,693.9)	(19,693.9)
<b>TOTAL OPERATING</b>	<b>(9,846.95)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER: See Attached Detail	(9,846.95)	(19,693.9)	(19,693.9)	(19,693.9)	(19,693.9)	(19,693.9)
<b>TOTAL</b>	<b>(9,846.95)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>	<b>(19,693.9)</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Changes in CS 55 SB 18 (Fin) have no fiscal impact. This fiscal note is appropriate. 2/20/91

Estimate of current year impact: None

**ANALYSIS:** Alaska State Pension Corporation is assumed to take over retirement fund investments January 1, 1992. FY 92 figures are half the amounts originally requested in Treasury's FY 92 budget for retirement funds. FY 93 - 97 are the full amount of the original FY 92 budget for retirement funds.

Prepared by: Brian C. Andrews *BA*

Phone: 465-2350

Division: Treasury

Date: \_\_\_\_\_

Approved by Commissioner: *[Signature]*

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE(continued)

BILL NO.: SS SB 18

Department of Revenue, Treasury Division

OTHER FUNDING: Thousands of Dollars

	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Public Employees Retirement Investment Fund	(6,111.25)	(12,222.5)	(12,222.5)	(12,222.5)	(12,222.5)	(12,222.5)
Teachers Retirement Investment Fund	(3,686.3)	(7,372.6)	(7,372.6)	(7,372.6)	(7,372.6)	(7,372.6)
Judicial Retirement Investment Fund	(40.85)	(81.7)	(81.7)	(81.7)	(81.7)	(81.7)
Military Retirement Investment Fund	(8.55)	(17.1)	(17.1)	(17.1)	(17.1)	(17.1)

FISCAL NOTE

BILL NO. SSSB18

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An Act Establishing the Alaska State Pension Corporation.

Department Affected: Administration  
BRU: Retirement and Benefits

Sponsor: Pourchot  
Requestor: \_\_\_\_\_

Component: Retirement and Benefits

COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS

FULL-TIME:	0	0	0	0	0	0
PART-TIME:	0	0	0	0	0	0
TEMPORARY:	0	0	0	0	0	0

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (attach a separate page if necessary.)

There is no measurable fiscal to the Division from this bill.

Changes in SSSB18 (FW)  
have no fiscal impact.  
This fiscal note is  
appropriate. 2/20/91

Prepared By: Gary Bader  
Division: Retirement and Benefits

Phone: 465-4460  
Date: \_\_\_\_\_

Approved by Commissioner: Millett Keller  
Agency: Department of Administration

Date: 2/15/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

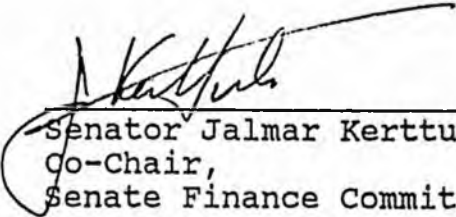
SENATE FINANCE COMMITTEE

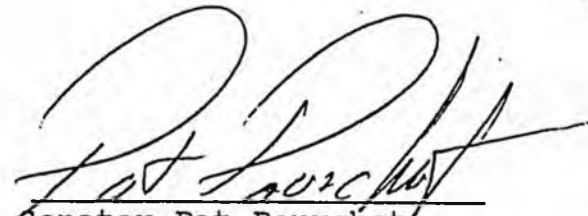
### LETTER OF INTENT

CSSSSB 18 (FIN)

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

Acting within the fiduciary responsibility under the Prudent Investor Rule, the Alaska State Pension Corporation Board of Trustees is encouraged to look to and utilize local institutions and companies for investment and business opportunities within the State of Alaska.

  
\_\_\_\_\_  
Senator Jalmar Kerttula  
Co-Chair,  
Senate Finance Committee

  
\_\_\_\_\_  
Senator Pat Pourchot  
Co-Chair,  
Senate Finance Committee

**CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 18 (FINANCE)**

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

**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**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. The corporation and all properties  
29 at any time owned by it, managed by it, or held by it in trust, and the income from those  
30 activities, are exempt from all taxes and assessments in the state. All security instruments issued  
31 by the corporation and income from them are exempt from all taxes and assessments in the state,

1 including transfer taxes.

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

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

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

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

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

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

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

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

31 (d) At the request of the board of trustees of the Alaska State Pension Corporation or of

1 the legislative auditor, the department shall make an examination of the corporation under this  
2 section.

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

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

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

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

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

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

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

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

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

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

27 \* Sec. 5. AS 22.25.048(c) is amended to read:

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

1 \* Sec. 6. AS 26.05.228(c) is amended to read:

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

5 \* Sec. 7. AS 36.30.850(b)(15) is amended to read:

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

10 \* Sec. 8. AS 36.30.990(1) is amended to read:

11 (1) "agency"

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

15 (B) does not include

16 (i) the University of Alaska;

17 (ii) the Alaska State Housing Authority;

18 (iii) the Alaska Railroad Corporation;

19 (iv) the Alaska Housing Finance Corporation;

20 (v) a regional Native housing authority created under  
21 AS 18.55.996, or a regional electrical authority created under AS 18.57.020; or

22 (vi) the Alaska State Pension Corporation;

23 \* Sec. 9. AS 37.05.146 is amended to read:

24 Sec. 37.05.146. DEFINITION OF PROGRAM RECEIPTS. In AS 37.05.142 - 37.05.146  
25 and AS 37.07.080 "program receipts" means fees, charges, income earned on assets, and other  
26 state money received by a state agency in connection with the performance of its functions; all  
27 program receipts except the following are general fund program receipts:

28 (1) federal receipts;

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

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

1 (4) receipts of the following funds:

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

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

4 (C) loan funds;

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

6 (E) funds managed by the Alaska State Housing Authority (AS 18.55.020),  
7 the Alaska Housing Finance Corporation (AS 18.56.020), the Medical Indemnity  
8 Corporation of Alaska (AS 21.88.020), the Alaska Railroad Corporation (AS 42.40.010),  
9 the Municipal Bond Bank Authority (AS 44.85.020), or the Alaska Industrial  
10 Development and Export Authority (AS 44.88.020);

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

12 (G) school fund (AS 43.50.140);

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

14 (I) retirement funds (AS 14.25, AS 22.25, AS 26.05.222, AS 39.35, and  
15 former AS 39.37);

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

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

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

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

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

21 (O) receipts of the employee benefits program established under  
22 AS 39.30.150 - 39.30.180:

23 (P) receipts of the deferred compensation program established under  
24 AS 39.45.

25 \* Sec. 10. 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 fiduciary of a state fund [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 fiduciary [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 fiduciary [COMMISSIONER].

18 (b) Under this section, the fiduciary of a state fund or the fiduciary's  
19 [COMMISSIONER OR THE 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,  
22 financial institutions, or trust companies, by designation through appointments, contracts, or  
23 letters or authority;

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

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

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

1 assets or as a precommitment of future cash flows;

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

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

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

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

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

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

26 (d) In exercising investment, custodial, or depository powers or duties under this section,  
27 the fiduciary or the fiduciary's [COMMISSIONER OR A] designee [OF THE  
28 COMMISSIONER] is liable for a breach of a duty that is assigned or delegated under this  
29 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.-  
30 14.170, or AS 39.35.080. However, the fiduciary or the [COMMISSIONER OR THE  
31 COMMISSIONER'S] designee is not liable for a breach of a duty that has been delegated to

1 another person if the delegation is prudent under the applicable standard of prudence set out in  
2 statute or if the duty is assigned by law to another person, except to the extent that the fiduciary  
3 [COMMISSIONER] or designee

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

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

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

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

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

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

20 (2) with respect to the Alaska State Pension Corporation, for investments  
21 under AS 14.25.180.

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

23 (B) each officer of the corporation; and

24 (C) any other person who exercises control or authority with respect  
25 to management or disposition of assets held by the corporation or who gives  
26 investment advice to the corporation; or

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

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

30 (G) Alaska State Pension Corporation;

31 \* Sec. 12. AS 39.30 is amended by adding a new section to read:

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

5 \* Sec. 13. AS 39.35.020 is amended to read:

6           Sec. 39.35.020. ADMINISTRATION. The commissioner of administration is responsible  
7 for the administration of the system and for carrying out this chapter. In addition the  
8 commissioner shall

9                   (1) maintain the accounts of the system;  
10                   (2) make payments for the various purposes specified;  
11                   (3) submit periodic reports or statements of account that are needed;  
12                   (4) issue a statement of account to an employee requesting it showing the amount  
13 of the employee's contributions to the system;

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

17                           (A) a balance sheet;  
18                           (B) a statement of income and expenditures for the year;  
19                           (C) a report on an actuarial valuation of its assets and liabilities;  
20                           (D) a summary of assets held in the pension fund listed by the categories  
21 of investment, as provided by the Alaska State Pension Corporation [COMMISSIONER  
22 OF REVENUE];

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

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

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

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

31 \* Sec. 14. AS 39.35.080 is amended to read:

1           Sec. 39.35.080. DUTIES OF THE ALASKA STATE PENSION CORPORATION  
2           [COMMISSIONER OF REVENUE]. The Alaska State Pension Corporation  
3           [COMMISSIONER OF REVENUE] is the [TREASURER OF THE SYSTEM AND THE]  
4           fiduciary of the fund. The corporation [COMMISSIONER] has the same powers and duties  
5           established under this chapter in regard to the fund as are provided in AS 14.25.035(d) and  
6           14.25.180.

7   \* Sec. 15. AS 39.45.030 is amended by adding a new subsection to read:

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

11 \* Sec. 16. AS 39.50.200(b) is amended by adding a new paragraph to read:

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

13 \* Sec. 17. AS 44.25.020 is amended to read:

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

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

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

20                         (3) register cattle brands;

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

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

25 \* Sec. 18. TRANSITION. All litigation, hearings, investigations, and other proceedings pending  
26 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,  
27 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal  
28 provided for in this Act. Orders and regulations issued or adopted under authority of a law amended  
29 or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise  
30 modified under the provisions of this Act. All contracts, rights, liabilities and obligations created by or  
31 under a law amended or repealed by this Act, and in effect on the effective date set out in sec. 21 of this

1 Act, remain in effect notwithstanding this Act's taking effect. Records, equipment, and other property  
2 of agencies of the state whose functions are transferred under this Act shall be transferred commensurate  
3 with the provisions of this Act.

4 \* Sec. 19. ORGANIZATION OF TRUSTEES. (a) Notwithstanding AS 37.10.210(c), enacted by  
5 sec. 1 of this Act, the initial terms of the members, other than the commissioner of revenue, of the board  
6 of trustees of the Alaska State Pension Corporation shall be as follows:

- 7 (1) one elected member and one appointed member shall serve terms of four years;
- 8 (2) one elected member shall serve a three-year term;
- 9 (3) one elected member and one appointed member shall serve terms of two years;
- 10 (4) one elected member and one appointed member shall serve one-year terms.

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

13 \* Sec. 20. AS 37.10.210 and 37.10.230 - 37.10.390, enacted by sec. 1 of this Act, and sec. 19 of this  
14 Act take effect July 1, 1991.

15 \* Sec. 21. Except as provided in sec. 20 of this Act, this Act takes effect on the earlier of July 1,  
16 1992, or the date established by resolution of the board of trustees of the Alaska State Pension  
17 Corporation for the transfer to it of securities and assets of the retirement funds. The board shall  
18 promptly provide the revisor of statutes and the lieutenant governor with a copy of this resolution.

1/23/92

By Senator Pourchot

## COMPARISON OF CSSB 329 AND SB 18 PENSION FUND MANAGEMENT

Senate Bill 18, which established the Alaska State Pension Corporation, passed both bodies in 1991 and was vetoed by the Governor. SB 329 was drafted in cooperation with the Department of Revenue and the Department of Administration and incorporates many of the concepts that were included in SB 18. The major differences between the two bills are listed below.

**SB 329 ESTABLISHES A BOARD OF TRUSTEES WHICH DIRECTS THE DEPARTMENT OF REVENUE IN THE MANAGEMENT AND INVESTMENT OF PENSION FUNDS.**

SB 329 does not establish a separate corporation, as was proposed in SB 18. Elimination of the corporate concept altered language in several areas of the bill. SB 329 does not contain any provisions for an executive director, corporate exempt employees, banking examination, or holding of assets. SB 329 does contain a new provision that allows the Commissioner of Revenue to designate employees who are subject to conflict of interest and whose failure to comply would be grounds for termination.

**SB 329 ADDS DEFERRED COMPENSATION FUNDS TO THE PREVIOUS SB 18 LIST OF FUNDS.**

The Board of Trustees in SB 329 will manage the funds of the following systems: PERS, TRS, Judicial, Military, SBS and Deferred Compensation. Provisions have been added that require the Board to consult with the Department of Administration prior to making any changes to either the SBS or the Deferred Compensation programs. The Board is also required to develop contingency plans for potential carrier investment problems for both SBS and Deferred Compensation.

**SB 329 ALTERS CURRENT SBS AND DEFERRED COMPENSATION STATUTES BY CONVEYING FIDUCIARY POWERS TO THE BOARD AND ALLOWING FOR, BUT NOT REQUIRING, PARTICIPANT DIRECTED INVESTMENT PROGRAMS.**

The current statutory Deferred Compensation "laundry list" of authorized investments has been deleted to allow the Board to set the investment strategy. The language is the same as that proposed for the SBS funds. Both provisions allow for a participant directed plan and if chosen, clarifies the liability limits of the fiduciary for losses due to the individual's exercise of control.

#### BOARD COMPOSITION:

SB 329 establishes an eight member Board, four elected and four appointed. The elected members are 1 PERS/SBS, 1 PERS, 2 TRS. The PERS and TRS Boards are empowered to set regulations concerning election and removal of the PERS/TRS board members. The Governor appointed members are: Commissioner of Revenue and three members who have investment experience, with at least one of these representing a non-state employer. The Governor may remove the appointed members for cause. The nine member board composition in SB 18 was more exacting in eligibility for both elected and appointed members and contained specific reasons for removal.

#### BOARD REQUIREMENTS:

In addition to the duties and responsibilities listed in SB 18, SB 329 requires that the Board shall:

1. Develop and present a budget to DOR, OMB and the Legislature
2. Review every two years, the actuarial earnings assumption for each fund and report to the appropriate boards and agencies
3. Adopt procurement regulations that include public notice requirements and emergency procedures
4. Select and monitor external investment managers
5. Meet annually with the PERS and TRS board and the Department of Administration to review benefit administration of each system.

*Adopted as a  
packet  
2/20/91 JK*

A M E N D M E N T #1

Offered to the Senate Finance Committee by Senator Pourchot

TO: CS SS SB 18

Page 2, Line 11:

(d) The governor may remove an elected or appointed trustee (FOR JUST CAUSE) who cannot perform the normal duties associated with the trustee position due to mental or physical incapacitation, (INCLUDING) who is convicted of a felony, who commits an act that under Alaska State law constitutes a misdemeanor that is incompatible with service on the board (INCLUDING) or

Rationale: Deleting the undefined term "just cause" and replacing it with specific reasons for removal, allows the governor to prudently remove a trustee who is not capable of performing his/her duties or who is involved in criminal activity but eliminates removal for political purposes only.

A M E N D M E N T #2

Offered to the Senate Finance Committee by Senator Pourchot

TO: CS SS SB 18

Page 3, Lines 21, 22  
Sub-section (4)

(PROVIDE FOR ACTUARIAL VALUATIONS OF THE RETIREMENT SYSTEMS AND  
OTHER ENTITIES WHOSE FUNDS THE BOARD MANAGED;)

Renumber sub-sections accordingly.

Rationale: Responsibility for actuarial valuations is currently in the retirement system statutes. Language was originally placed in the bill to allow the corporation to provide actuarial valuations if responsibilities for benefits administration were to be incorporated with investment responsibilities. The "integration of responsibilities" language has been removed in the CS, therefore this language should be deleted as well.

A M E N D M E N T # 3

Offered to the Senate Finance Committee by Senator Pourchot

TO: CS SS SB 18

Page 6, Line 3  
or (BANKING) financial institutions

Page 6, Line 5  
or (BANKING) financial institutions

Page 6, Line 6  
other (BANKING) financial institutions

Page 6, Line 10  
or (BANKING) financial institutions

Page 10, Line 20  
trust companies, financial institutions, by designation through  
appointments, contracts, or letters of authority;

Rationale: Broadening the term from "banking" institution to "financial" institution clarifies that it is not the intent of this legislation to restrict the corporation from utilizing any financial institution's services if the institution meets the standards under the Prudent Investor Rule.

A M E N D M E N T # 4

Offered to the Senate Finance Committee

by Senator Pourchot

TO: CS SS SB 18

Page 5, Line 5

(PORTFOLIO MANAGEMENT) management of investment portfolios for public, corporate, or union pension benefit funds, foundations or endowments.

Rationale: The effect of this would be to eliminate persons who have experience only as consultants, advisers, analysts, brokers, and persons who have only managed personal or private portfolios of individuals. Requiring Advisory Council members to meet the qualifications listed in the amendment meets the standard of prudence required of fiduciaries of large funds but is not so restrictive that it eliminates the possibility of in-state professionals serving on the Council.

*Left Margin:  
Explanatory Notes*

*2/19/91  
Adopted*

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 18 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

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 *Establishes Public Corp.* 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 *8 Trustees (4 elected)* (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 Active PEES KSB

2 Retired PEES

3 Active TRS

4 Retired Non-PEES

5 employers

6 Board members Gov. appt

7 Comm. of Rev.

8 Removal Vacancy

9 Chair

10 Quorum

11 No Designees

12 Training

13 meetings

14 investment policy

15 reports to LB & A

vote in the election. One of the elected trustees must be an active member of the public employees' retirement system who is participating in the supplemental benefits program under AS 39.30.150 - 39.30.180, one must be receiving a benefit from the public employees' retirement system, one must be an active member of the teachers' retirement system, and one must be receiving a benefit from a retirement system other than the public employees' retirement system.

The governor shall appoint two trustees from a list of nominees submitted by employers in the retirement systems. The governor shall appoint one additional trustee from a list of nominees submitted by the other seven trustees. The commissioner of revenue serves as a trustee.

(c) The appointed and elected trustees shall serve for staggered terms of four years and may be reappointed or reelected to the board. 4 year terms

(d) The governor may remove an elected or appointed trustee for just cause, including failure to comply with AS 37.10.230, by written notice to the trustee. After a trustee receives written notice of removal from the governor, the trustee may not participate in board business and may not be counted for purposes of establishing a quorum.

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

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

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

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

(i) Trustees shall participate in financial education training.

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

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

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

(3) submit long-range and quarterly investment reports to the Legislative Budget

1 and Audit Committee;  
 2 *report to Gov/Leg/Employers* (4) report to the governor, the legislature, and employers participating in the  
 3 retirement systems by the first day of each regular legislative session concerning the investment  
 4 of funds for which the corporation is responsible including financial and investment policies  
 5 established by the board and enclose a summary of the most recent performance evaluations of  
 6 the funds managed by the corporation;

7 *Performance evaluation* (5) contract with external performance evaluators to review the performance of  
 8 each fund for which the corporation is responsible and report each year on the fund's condition  
 9 to the board of trustees and to the other appropriate boards;

10 *Audit* (6) engage independent certified public accountants to prepare an annual audit of  
 11 each of the funds for which the corporation is responsible and to report to the board with the  
 12 results of the audit;

13 *Deferred Comp.* (7) advise the commissioner of administration concerning the investment of funds  
 14 held under the state deferred compensation program.

15 (b) The board may

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

18 *legal counsel* (2) employ legal counsel;

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

21 *AA of ? actuarial valuations* (4) provide for actuarial valuations of the retirement systems and other entities  
 22 whose funds the board manages;

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

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

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  
 32 corporation are invested, the trustee, officer, or employee shall immediately disclose the interest  
 33 *disclosure*

*Relates to integration of PP could remove.*

*Conflict of Interest*  
*fiduciary*  
*other designated employees*

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

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

9 *Exempt from*  
 10 *A.P.A. - must comply*  
 11 *with open meeting* Sec. 37.10.240. REGULATIONS. The board may adopt regulations under the Admin-  
 12 istrative Procedure Act (AS 44.62) to implement AS 37.10.210 - 37.10.390.

13 Sec. 37.10.250. COMPENSATION OF TRUSTEES. Trustees, other than trustees who  
 14 are employees of the state or a political subdivision of the state, receive an honorarium of \$150  
 15 *\$50.*  
 16 *Honorarium* for each day spent at a meeting of the board or at a meeting of a subcommittee of the board or  
 17 at a public meeting as a representative of the board. Trustees who are state employees are  
 18 entitled to administrative leave for service as a trustee. Trustees who are employees of a political  
 19 subdivision of the state are entitled to leave benefits provided by their employers comparable to  
 20 those provided to state employees for service as a trustee. Trustees are entitled to per diem and  
 21 travel expenses authorized for boards and commissions under AS 39.20.180.

22 *Per diem*  
 23 *Travel* Sec. 37.10.260. STAFF. (a) The board shall employ an executive director. The  
 24 *Executive*  
 25 *Director* executive director must be qualified by training and experience to manage, administer, and direct  
 26 the investment of funds. The board shall fix the compensation of the executive director and other  
 27 employees. The executive, administrative, and investment functions of the board are vested in  
 28 the executive director who serves under the supervision of the board. With approval of the  
 29 board, the executive director may appoint *employees* of the corporation as necessary.

30 *Ethics Act*  
 31 *and*  
 32 *regulations* (b) The board shall adopt regulations that restrict the executive director, investment  
 33 directors, other officers, and employees from having financial interest, directly or indirectly, in  
 34 firms or corporations that provide services to the corporation. Officers and employees of the  
 35 corporation are subject to AS 39.52.

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

38 *Exempt from*  
 39 *Personnel Code* (d) Officers and employees of the corporation are members of the exempt service under  
 40 AS 39.25.110.

41 *Ex. Dir.*  
 42 *Signature* (e) A deed, contract, or other document that must be executed by or on behalf of the

1 corporation shall be signed by the executive director.

2 *Investment Advisory Council* Sec. 37.10.270. INVESTMENT ADVISORY COUNCIL. (a) The board shall appoint

3 an investment advisory council composed of at least three and not more than five members.

4 *min = 3*  
5 *max = 5*  
6 *1 inst. professional* Members of the council shall possess experience and expertise in financial investments and portfolio management.

7 *3 year terms* (b) Members of the council serve at the pleasure of the board for staggered terms of three years.

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

11 (d) The council shall

12 *Council Duties:* (1) review the investments made by the board;

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

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

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

16 *Council may contract to advise other state agencies.* (e) With approval of the board, the council may contract with other state agencies to provide investment advice.

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

26 *Exempt from Taxation.* Sec. 37.10.290. EXEMPTION FROM TAXATION. The corporation and all properties at any time owned by it, managed by it, or held by it in trust, and the income from those activities, are exempt from all taxes and assessments in the state. All security instruments issued by the corporation and income from them are exempt from all taxes and assessments in the state, including transfer taxes.

31 *approved sureties* Sec. 37.10.300. SURETY FOR DEPOSITS WITH BANKS. Banks, trust companies,

*Greening - include credit unions?*

*2/19/01  
Done base to test by*

*2/19/01  
Burgess  
with file  
by minie  
P.D. concern  
but reluctant  
to upset  
existing tradition*

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

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

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

21 Sec. 37.10.390. DEFINITIONS. In AS 37.10.210 - 37.10.390, unless the context  
 22 otherwise requires,

- 23 *Definitions* (1) "board" means the board of trustees of the corporation;  
 24 (2) "corporation" means the Alaska State Pension Corporation;  
 25 (3) "retirement systems" means the teachers' retirement system, the judicial  
 26 retirement system, the Alaska National Guard and Alaska Naval Militia retirement system, and  
 27 the public employees' retirement system.

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

29 *AK. BANKING CODE* (d) At the request of the board of trustees of the Alaska State Pension Corporation or of  
 30 the legislative auditor, the department shall make an examination of the corporation under this  
 31 *Board or LBIA may request exam.* section.

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

2 *T.R.S.* (d) The commissioner of administration shall report to the board concerning the condition  
3 and administration of the system. The reports shall be distributed to the members of the system.  
4 The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] shall provide  
5 reports to the board on the condition and investment performance of the teachers' retirement trust  
6 fund including a summary of an annual external performance review.

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

8 *T.R.S.* Sec. 14.25.180. MANAGEMENT AND INVESTMENT OF FUND. (a) The Alaska  
9 State Pension Corporation [COMMISSIONER OF REVENUE] is the [TREASURER OF THE  
10 SYSTEM AND THE] fiduciary of the fund. In managing the fund, the Alaska State Pension  
11 Corporation [COMMISSIONER OF REVENUE] shall

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

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

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

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

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

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

25 \* Sec. 5. AS 22.25.048(c) is amended to read:

26 *Judicial Retirement System* (c) The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] is the  
27 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund and has the same powers  
28 and duties under this section in regard to the judicial retirement trust fund as are provided in  
29 AS 14.25.180.

30 \* Sec. 6. AS 26.05.228(c) is amended to read:

31 *Military Retirement System* (c) The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] is the

1 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund and has the same powers  
2 and duties under this section in regard to the fund as are provided under AS 14.25.180.

3 \* Sec. 7. AS 36.30.850(b)(15) is amended to read:

4 *Procurement Code* (15) a contract that is a delegation, in whole or in part, of investment powers held  
5 by the commissioner of revenue under [AS 14.25.180,] AS 14.40.400, AS 14.42.200, 14.42.210,  
6 AS 18.56.095, [AS 22.25.048, AS 26.05.228,] AS 37.10.070, 37.10.071, or AS 37.14 [, or  
7 AS 39.35.080];

8 \* Sec. 8. AS 36.30.990(1) is amended to read:

9 *Procurement Code Exemption* (1) "agency"

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

13 (B) does not include

14 (i) the University of Alaska;

15 (ii) the Alaska State Housing Authority;

16 (iii) the Alaska Railroad Corporation;

17 (iv) the Alaska Housing Finance Corporation;

18 (v) a regional Native housing authority created under  
19 AS 18.55.996, or a regional electrical authority created under AS 18.57.020; or

20 (vi) the Alaska State Pension Corporation;

21 \* Sec. 9. AS 37.05.146 is amended to read:

22 *Program Receipts* Sec. 37.05.146. DEFINITION OF PROGRAM RECEIPTS. In AS 37.05.142 - 37.05.146  
23 and AS 37.07.080 "program receipts" means fees, charges, income earned on assets, and other  
24 state money received by a state agency in connection with the performance of its functions; all  
25 program receipts except the following are general fund program receipts:

26 (1) federal receipts;

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

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

30 (4) receipts of the following funds:

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

- 1 (B) correctional industries fund (AS 33.32.020);
- 2 (C) loan funds;
- 3 (D) international airport revenue fund (AS 37.15.430);
- 4 (E) funds managed by the Alaska State Housing Authority (AS 18.55.020),
- 5 the Alaska Housing Finance Corporation (AS 18.56.020), the Medical Indemnity
- 6 Corporation of Alaska (AS 21.88.020), the Alaska Railroad Corporation (AS 42.40.010),
- 7 the Municipal Bond Bank Authority (AS 44.85.020), or the Alaska Industrial
- 8 Development and Export Authority (AS 44.88.020);
- 9 (F) fish and game fund (AS 16.05.100);
- 10 (G) school fund (AS 43.50.140);
- 11 (H) training and building fund (AS 23.20.130);
- 12 (I) retirement funds (AS 14.25, AS 22.25, AS 26.05.222, AS 39.35, and
- 13 former AS 39.37);
- 14 (J) permanent fund (art. IX, sec. 15, Alaska Constitution);
- 15 (K) public school trust (AS 37.14.110);
- 16 (L) second injury fund (AS 23.30.040);
- 17 (M) fishermen's fund (AS 23.35.060);
- 18 (N) FICA administration fund (AS 39.30.050);
- 19 (O) receipts of the employee benefits program established under
- 20 AS 39.30.150 - 39.30.180;
- 21 (P) receipts of the deferred compensation program established under
- 22 AS 39.45.

*Excludes SBS and  
Deferred Comp. from  
definition as Program Receipts.*

23 \* Sec. 10. AS 37.10.071 is amended to read:

24 *Replaces* Sec. 37.10.071. INVESTMENT POWERS AND DUTIES. (a) In making investments

25 *Comm. of Revenue* under this section, the fiduciary of a state fund [COMMISSIONER OF REVENUE] shall

26 *with "fiduciary"* (1) act as official custodian of cash and investments by securing adequate and safe

27 *of state fund.* custodial facilities for them;

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

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

30 investments;

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

- 1 (5) receive and spend appropriations to cover the cost of the exercise of duties
- 2 under this section;
- 3 (6) exercise the powers of an owner with respect to the assets;
- 4 (7) perform all acts, not prohibited by this section, whether or not expressly
- 5 authorized, that the fiduciary [COMMISSIONER] considers necessary or proper in administering
- 6 the assets;
- 7 *G.A.A.P.* (8) maintain accounting records in accordance with generally accepted
- 8 [INVESTMENT] accounting principles;
- 9 (9) engage an independent certified public accountant to conduct an annual audit
- 10 of the financial condition and investment transactions;
- 11 (10) enter into and enforce contracts or agreements considered necessary,
- 12 convenient, or desirable for the investment purposes of this section; and
- 13 (11) when choosing to acquire or dispose of investments, secure competitive
- 14 national or international market rates or prices, or the equivalence of those rates or prices in the
- 15 judgment of the fiduciary [COMMISSIONER].
- 16 (b) Under this section, the fiduciary of a state fund or the fiduciary's
- 17 [COMMISSIONER OR THE COMMISSIONER'S] designee may
- 18 (1) delegate investment, custodial, or depository authority on a discretionary or
- 19 nondiscretionary basis to officers or employees of the state or to independent firms, banks, or
- 20 trust companies, by designation through appointments, contracts, or letters or authority;
- 21 (2) acquire or dispose of investments either directly, indirectly, or through
- 22 investment pools or trusts, by competitive or negotiated agreements, contracts, or auctions, in
- 23 public or private markets;
- 24 (3) concentrate or diversify investments as the fiduciary [COMMISSIONER]
- 25 considers appropriate to increase the probable total rate of return or to decrease the overall
- 26 exposure to potentially adverse market value risks;
- 27 (4) protect the market value or the rate of return of the investments by entering
- 28 into forward agreements to buy or sell assets at a future date as a hedge against existing held
- 29 assets or as a precommitment of future cash flows;
- 30 (5) lend assets, under an agreement and for a fee, against deposited collateral of
- 31 equivalent market value;

FIDUCIARY RESPONSIBILITIES

*Covering - go to financial institutions?*

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

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

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

9 (9) declare records to be confidential and exempt from AS 09.25.110 and  
10 09.25.120 if the records contain information that discloses the particulars of the business or the  
11 affairs of a private enterprise, investor, borrower, advisor, consultant, counsel, or manager.

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

23 (d) In exercising investment, custodial, or depository powers or duties under this section,  
24 the fiduciary or the fiduciary's [COMMISSIONER OR A] designee [OF THE  
25 COMMISSIONER] is liable for a breach of a duty that is assigned or delegated under this  
26 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.-  
27 14.170, or AS 39.35.080. However, the fiduciary or the [COMMISSIONER OR THE  
28 COMMISSIONER'S] designee is not liable for a breach of a duty that has been delegated to  
29 another person if the delegation is prudent under the applicable standard of prudence set out in  
30 statute or if the duty is assigned by law to another person, except to the extent that the fiduciary  
31 [COMMISSIONER] or designee

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

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

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

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

*Indemnification  
except for imprudent  
acts.*

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

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

17 (2) with respect to the Alaska State Pension Corporation, for investments  
18 under AS 14.25.180.

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

20 (B) each officer of the corporation; and

21 (C) any other person who exercises control or authority with respect  
22 to management or disposition of assets held by the corporation or who gives  
23 investment advice to the corporation; or

*Designation  
of fiduciaries*

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

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

27 (G) Alaska State Pension Corporation;

28 \* Sec. 12. AS 39.30 is amended by adding a new section to read:

29 Sec. 39.30.175. INVESTMENT OF BENEFIT PROGRAM RECEIPTS. The State  
30 Pension Corporation is the fiduciary of the receipts of the employee benefits program established  
31 under AS 39.30.150 - 39.30.180 and has the same powers and duties concerning the management

*S.B.S*

*Exempt  
Service*

1 and investment in regard to those receipts as are provided under AS 14.25.180.

2 \* Sec. 13. AS 39.35.020 is amended to read:

3 *P.E.R.S.* Sec. 39.35.020. ADMINISTRATION. The commissioner of administration is responsible  
4 for the administration of the system and for carrying out this chapter. In addition the  
5 commissioner shall

6 (1) maintain the accounts of the system;

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

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

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

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

14 (A) a balance sheet;

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

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

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

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

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

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

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

28 \* Sec. 14. AS 39.35.080 is amended to read:

29 *P.E.R.S.* Sec. 39.35.080. DUTIES OF THE ALASKA STATE PENSION CORPORATION  
30 [COMMISSIONER OF REVENUE]. The Alaska State Pension Corporation  
31 [COMMISSIONER OF REVENUE] is the [TREASURER OF THE SYSTEM AND THE]

1 fiduciary of the fund. The corporation [COMMISSIONER] has the same powers and duties  
2 established under this chapter in regard to the fund as are provided in AS 14.25.035(d) and  
3 14.25.180.

4 \* Sec. 15. AS 39.45.030 is amended by adding a new subsection to read:

5 *Deferred Comp.* (c) Before investing the funds held under the state deferred compensation program, the  
6 administrator of the program shall consult with the Alaska State Pension Corporation. The  
7 commissioner shall reimburse the corporation for the cost of providing the advice.

8 \* Sec. 16. AS 39.50.200(b) is amended by adding a new paragraph to read:

9 *Conflict of Interest* (52) Alaska State Pension Corporation (AS 37.10.210).

10 \* Sec. 17. AS 44.25.020 is amended to read:

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

12 *Adds ASPC to Dept. of Revenue duties.* (1) enforce the tax laws of the state;

13 (2) collect, account for, have custody of, invest, and manage all state funds and

14 all revenues of the state except revenues incidental to a program of licensing and regulation

15 carried on by another state department and funds managed and invested by the Alaska State

16 Pension Corporation;

17 (3) register cattle brands;

18 (4) supply necessary clerical and administrative services for the Alcoholic

19 Beverage Control Board; and

20 (5) invest and manage the balance of the power development fund in accordance

21 with AS 44.83.386.

22 \* Sec. 18. TRANSITION. All litigation, hearings, investigations, and other proceedings pending

23 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,

24 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal

25 provided for in this Act. Orders and regulations issued or adopted under authority of a law amended

26 or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise

27 modified under the provisions of this Act. All contracts, rights, liabilities and obligations created by or

28 under a law amended or repealed by this Act, and in effect on the effective date set out in sec. 21 of this

29 Act, remain in effect notwithstanding this Act's taking effect. Records, equipment, and other property

30 of agencies of the state whose functions are transferred under this Act shall be transferred commensurate

31 with the provisions of this Act.

1 \* **Sec. 19. ORGANIZATION OF TRUSTEES.** (a) Notwithstanding AS 37.10.210(c), enacted by  
2 sec. 1 of this Act, the initial terms of the members, other than the commissioner of revenue, of the board  
3 of trustees of the Alaska State Pension Corporation shall be as follows:

- 4 (1) one elected member and one appointed member shall serve terms of four years;  
5 *initial* (2) one elected member shall serve a three-year term;  
6 *terms* (3) one elected member and one appointed member shall serve terms of two years;  
7 (4) one elected member and one appointed member shall serve one-year terms.

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

10 \* **Sec. 20.** AS 37.10.210 and 37.10.230 - 37.10.390, enacted by sec. 1 of this Act, and sec. 19 of this  
11 Act take effect July 1, 1991. *Board/Corporate Organization - July 1, '91*

12 \* **Sec. 21.** Except as provided in sec. 20 of this Act, this Act takes effect on the earlier of July 1,  
13 1992, or the date established by resolution of the board of trustees of the Alaska State Pension  
14 Corporation for the transfer to it of securities and assets of the retirement funds. The board shall  
15 promptly provide the revisor of statutes and the lieutenant governor with a copy of this resolution.

*Effective date to transfer assets - by board resolution or  
by July 1, 1992.*

M E M O R A N D U M

February 15, 1991

SUBJECT; ALASKA STATE PENSION CORPORATION (ASPC): Summary of  
Proposed CS for SSSB 18 by Section

TO; Senator Pat Pourchot

FROM; Susan Barnett, Staff

I have prepared this sectional analysis of the proposed CS for SSSB 18, An Act establishing the Alaska State Pension Corporation; relating to management and investment of state pension funds and other state funds; and providing for an effective date.

TITLE: Identifies that the retirement system funds, and other state funds upon agreement are to be managed and invested by the corporation.

SECTION 1: creates the Alaska State Pension Corporation.

Sec. 37.10.210 establishes the corporation as a public corporation. Subsection (b) sets out the eight voting trustees, four of which are elected by members of the retirement systems, two of which are appointed by the governor from a list submitted by employers, one additional is appointed by the governor from a list of nominees submitted by the other seven trustees, and the commissioner of revenue serves as a trustee. Subsection (c) sets out staggered four year terms for trustees. Subsections (d) and (e) set out removal of trustees and filling of vacancy. Subsections (f)(g)(h) set out board organization: board elects chair annually, five trustees constitute a quorum and designees are not allowed. Subsection (i) requires trustees to participate in financial education training.

Sec. 37.10.220 sets out the powers and duties of the board, including establishing investment policies for the funds for which it is responsible, submitting investment reports to the legislature, employers, appropriate boards, contracting for external performance reviews, employing outside investment advisors, employing legal counsel, permitting trustees to enter agreement to assume responsibility for other state funds upon agreement with the managers of those funds. CS for SSSB 18 requires the board advise the commissioner of administration concerning the investment of funds held under the state deferred compensation program.

Sec. 37.10.230 sets out conflict of interest provisions for the fiduciaries and allows the board to designate other staff who must comply with these provisions. Under this section, the board shall adopt regulations to restrict fiduciaries and any designated staff, from having a substantial interest in corporate assets. Subsection (c) identifies that failure to disclose conflicts is grounds for termination of employment.

Sec. 37.10.240 exempts the board from the Administrative Procedures Act but requires the board to comply with the open meetings law.

Sec. 37.10.250 sets the honorarium for trustees at \$150 per meeting day and states that those who are public employees shall serve without compensation but shall be granted administrative leave.

Sec. 37.10.260 requires the board to employ and fix the compensation for an executive director who must meet qualifications as set in statute. The executive director may appoint employees with approval of the board. Subsection (b) requires the board to adopt regulations restricting staff from financial interest in those companies which provide service to the corporation. All employees are exempt from the personnel act but are subject to the ethics act.

Sec. 37.10.270 requires the board to appoint an investment advisory council composed of at least three and not more than five members who must meet qualifications. Subsection (b) sets out staggered three year terms. Subsection (c) allows board to establish compensation for advisory members. Subsection (d) sets out duties of the council to include reviewing investments, recommending investment policy, advising on selection of consultants and auditors. Subsection (e) allows the council to contract with other state agencies to provide advice.

Sec. 37.10.280 requires the board to protect assets held in trust and its own assets, services and employees by purchasing insurance or arranging for self-insurance.

Sec. 37.10.290 exempts the corporation and property it owns, manages or holds in trust from all taxes and assessments in the state.

Sec. 37.10.300 permits banks to give sureties to the corporation or to enter collateral agreements on approved securities.

Sec. 37.10.310 prohibits the corporation from engaging in commercial banking activity, from acting as a depository or trustee for a private person and from acting as a lender to a private person of money from any source other than the money from the state funds under its own management.

Sec. 37.10.320 limits the states responsibility for liabilities of the corporation.

Sec. 37.10.390 defines board, corporation and retirement systems.

Section 2 AS 06.05.025 amends the banking code to allow the board of trustees or the legislative auditor to request an examination of the corporation by the Division of Banking, Securities and Corporations

SECTION 3: substitutes the corporation for the Commissioner of Revenue in reporting about the condition of the teachers retirement system (TRS) and requires the corporation provide the TRS board with an annual external performance review of the trust fund.

SECTION 4; makes the corporation fiduciary of the TRS fund in place of the Commissioner of Revenue.

SECTION 5; substitutes the corporation for the commissioner of revenue in management of the Judicial Retirement Trust.

SECTION 6; substitutes the corporation for the commissioner of revenue in management and investment of the Alaska National Guard and Alaska Naval Militia retirement fund, referred to as the Military fund or system.

SECTIONS 7 and 8 exempt the corporation from the procurement code but require the board of trustees to adopt comparable procedures.

SECTION 9 adds SBS and Deferred Compensation funds to the list of those excluded from the definition of Program Receipts.

SECTION 10 substitutes the corporation for the Commissioner of Revenue in the section that sets out the powers and duties of the fiduciary that invests and manages state funds. In paragraph (a)(8) the bill requires accounting records to be kept in accordance with generally accepted accounting principles. Subsection (c) requires the fiduciary to exercise the Prudent Investor Rule in exercising powers and duties. Subsection (e) requires the state to defend and indemnify the fiduciary if fiduciary performed in good faith and was prudent. Subsection (f) defines fiduciary to include trustee, officer of the corporation and any other person who exercises control over corporation assets.

SECTION 11; places employees of the corporation in the exempt service.

SECTION 12: identifies the corporation as the fiduciary of the receipts of the employee benefits program. (SBS)

SECTIONS 13 and 14: substitute the corporation for the Commissioner of Revenue in the management and investment of the public employees retirement (PERS) fund.

SECTION 15; requires the commissioner of administration to consult with the corporation before investing deferred compensation funds.

SECTION 16; adds the members of the Alaska State Pension Corporation to coverage of the conflict of interest statutes.

SECTION 17; amends the duties of the Department of Revenue to reflect the changes made by the bill.

SECTION 18; is a transition section.

SECTION 19; sets out the initial terms of the board and permits the board to hold organizational meetings as soon as a quorum has been appointed/elected.

SECTION 20; sets July 1, 1991 as the effective date for board organization.

SECTION 21; sets the earlier of July 1, 1992 or the date established by resolution of the trustees as the effective date for the corporation to begin managing and investing assets as well as other duties as defined in the bill.

January 30, 1991

Revised: February 15, 1991

The following is a summary of the changes made to SB 18 that are now in the Sponsor Substitute for Senate Bill 18.  
(For CS changes, see page 2)

Section 2. AS 37.10 Article 5

Sec. 37.10.210 (b)

(Page 2 Lines 5-12) Changes the board from seven to eight trustees, four of the trustees to be elected by the members in the retirement systems. Elected seats are identified as:

- 1 Active PERS/Active SBS
- 1 Retired PERS
- 1 Active TRS
- 1 Retired from system other than PERS.

Sec. 37.10.210 (g) (Page 2, Line 28) Changes quorum from four to five.

Sec. 37.10.220 (a) (7) (Page 3, Lines 20,21) Under powers and duties of the board, adds a requirement that the board advise the commissioner of administration concerning the investment of funds held under the state DEFERRED COMPENSATION PROGRAM.

Section 9. AS 36.30.990 (1)

(Page 8, Line 24) Previous drafting error corrected. Updated statute now in bill, which includes AHFC.

Section 12. AS 39.30

Sec. 39.30.175 (Page 12, Lines 2-6) establishes the corporation as the fiduciary for the SUPPLEMENTAL BENEFITS SYSTEM (SBS).

Section 15. AS 39.45.030 (Page 13, lines 9-12) requires the commissioner of administration to consult with the corporation prior to investing DEFERRED COMPENSATION PROGRAM funds and to reimburse corporation for cost of advise.

Section 19. (Page 14, Line 10) under Organization of Trustees, sets out a 3 year term for the additional elected member.

Page 2

Changes made in the Proposed Committee Substitute for SSSB 18:

Section 1, FINDINGS, of the Sponsor Substitute for SB 18 has been removed in the Proposed CS.

Section 9, the PROGRAM RECEIPTS LANGUAGE has been added to include receipts of the employee benefits program (SBS) and receipts of the deferred compensation program on the list of funds excluded from the Program Receipts/General Fund definition.

SUPPLEMENTAL BENEFITS SYSTEM (SBS) ISSUE PAPER  
Senator Pat Pourchot January 22, 1991

WHAT IS THE SUPPLEMENTAL BENEFITS SYSTEM (SBS)?

The SBS program was established in 1979 as a replacement for the Federal Social Security program, from which the state withdrew. It was designed to offer "risk free" accumulation of retirement income under an annuity plan. Currently, the SBS investment portfolio of over \$540 million consists exclusively of Guaranteed Investment Contracts (GICs) with seven carriers. The program is expected to total \$800 million in 1992.

State employees are required to participate in the plan. Each month a contribution of 12.26% of an employee's salary is made to the employee's individual account. Contributions are equally shared by the employer and employee. The employee contributes 6.13% in employee pre-tax wage reductions while the employer contributes an equal amount in additional wages.

IS SBS CONSIDERED A RETIREMENT "PENSION" PROGRAM?

SBS participants are, at present, nearly exclusively "active" employees unlike PERS and TRS, in which vested terminated and retired employees constitute the majority of plan participants. 88% of the SBS program participants are state government employees compared with the PERS plan, which is only 46% state employees. Notably, 95% of all SBS participants elect to withdraw their savings in a lump sum upon leaving state service, regardless of age or retirement status. Participation in the retirement systems i.e. PERS, restricts benefit distribution to a post retirement formula.

According to the 1990 William M. Mercer SBS Report, "participants in SBS may see it as a savings plan because they have other retirement income benefits available. Younger employees typically view this type of plan as a savings plan".

Additionally, SBS is viewed differently from standard retirement programs at federal levels. SBS is not subject to the Employees Retirement Income Security Act (ERISA) as are other state retirement systems.

WHO MANAGES THE SBS FUNDS?

The Department of Administration (DOA) has historically been responsible for the investment and administration of the SBS program. In April 1990, by agreement between the Departments, through temporary regulations, the investment responsibility for

SBS assets was transferred from DOA to the Department of Revenue (DOR). No formal statement of fiduciary responsibility has been formulated for SBS. The PERS board, by statute, has the responsibility to adopt regulations and policies for the operation of the program.

As of this date, DOA and DOR have formed a SBS Task Force, with the PERS Board's approval. The Task Force assisted in drafting a Request for Proposal to select an entity to invest and administer the SBS annuity funds, for the purpose of diversifying the investment strategy of the funds. The Department intends to solicit proposals from financial institutions involved with annuity fund investment, management and benefit dispersal.

# Alaska State Pension Corporation (ASPC)

## *Proposed CS Sponsor Substitute SB 18*

A public corporation located in the  
Department of Revenue to manage the following funds:  
Public Employees Retirement System Fund \$2.74 billion  
Teachers Retirement System Fund \$1.70 billion  
Judicial Retirement System Fund \$28.67 million  
Military Retirement Fund \$3.9 million  
Supplemental Benefits System \$600 million

### ASPC Board of Trustees

4 Member Seats (Elected)  
2 Employer Seats (Appointed)  
1 Department Commissioner  
1 Appointed Seat (Nominated by the Seven Trustees)

Executive Director

Investment  
Advisory Council  
3 - 5 Professionals

Chief Investment Officer

Investment Staff

## STATE OF ALASKA


 STEVE COWPER, GOVERNOR

## DEPARTMENT OF REVENUE

TREASURY DIVISION

 333 Willoughby Avenue, 11th Floor  
 P.O. Box 58  
 Juneau, Alaska 99811-0400

 Telephone: (907) 465-2350  
 Facsimile: (907) 465-2394

October 12, 1990

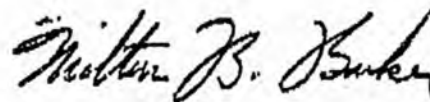
Susan K. Barnett  
 Legislative Assistant for Senator Pat Pourchot  
 Room 504  
 State Capital  
 P. O. Box V  
 Juneau, Alaska 99811

Dear Susan:

At your request, I submit the following June 30, 1990 balances at market of the following funds:

Public Employees' Retirement Trust Fund	\$2,741,196,000	
Teachers' Retirement Trust Fund	1,700,702,000	
Supplemental Benefits System		
Guaranteed Investment Contracts	710,000,000	(surrender value)
Trust Fund	25,474,000	
Judicial Retirement Trust Fund	28,674,000	
Military Retirement Trust Fund	3,901,000	
University of Alaska Trust Fund	14,986,000	
Public School Trust Fund	\$102,658,000	

Yours truly,



Milton B. Barker  
 Deputy Commissioner

MBB/ph

cc: Cliff Groh

*of Trustees*  
Marc Langland,  
Chairman  
Charles H. Parr,  
Vice-Chairman  
Douglas B. Baily  
John T. Kelsey  
Byron I. Mallott  
Hugh Malone



**Alaska Permanent Fund Corporation**

P.O. Box 4-1000 Juneau, Alaska 99802-4100

(907) 465-2047

October 2, 1990

The Honorable  
Pat Pourchot  
Alaska State Senator  
3111 "C" Street, Suite 545  
Anchorage, Alaska 99503

Re: Position of the Board of Trustees of the Alaska Permanent Fund Corporation on the Management of the PERS/TRS Funds.


Dear Senator Pourchot:

At your request, the Board of Trustees discussed and voted on its position concerning the possible management of the PERS/TRS funds by the Alaska Permanent Fund Corporation. It was the unanimous vote of the Board that the Trustees have no interest in assuming responsibility for the management of PERS/TRS and other state investment funds that have actuarial and different liability obligations than the Alaska Permanent Fund.

In general, it is the view of the Trustees, as well as staff, that the management of the Alaska Permanent Fund involves very different management philosophies and policies than are involved in the management of retirement funds. The potential mixing of the two types of policies in one organization was felt to be detrimental for both types of funds.

I have enclosed the verbatim transcript of the portion of the Board meeting where the Trustee position was raised, discussed, and voted upon. If you have any questions, please do not hesitate to call.

Sincerely,

  
Marc Langland  
Chairman

DEPARTMENT OF REVENUE  
POSITION PAPER

Senate Bill 18  
House Bill 37  
Alaska State Pension Corporation

The Department of Revenue supports the basic concepts embodied in this legislation for the following reasons:

1. a board to govern investments would improve accountability, public visibility, and continuity; and
2. the Department believes the fiduciary responsibility should not solely rest with the Commission of Revenue.

Professionalism of the Board

Preferable to an investment advisory council would be the inclusion of a minority of investment professionals on the board of the proposed corporation. It is difficult to see how exclusion of professionals as board members would be in the best interests of beneficiaries, given the fact that there is a clearly defined objective of maximizing investment earnings subject to prudence. Inclusion of professionals would seem to be an important edge in order to provide competitive investment results.

Legislative Audit stated in their June 19, 1989 Special Report on PERS and TRS that, "Some members of the board of trustees should have the necessary professional skills." Greta Marshall, former Chief Investment Officer of the California Public Employees Retirement System, in her September 17, 1990 comments to the PERS and TRS Boards (enclosed) strongly recommended placing professionals on the board. Professionals would be chief investment officers or trustees of other institutional investment funds.

Experience seems to indicate a real danger of advisory committees (as an avenue for professional input) falling into disuse. The best approach for assuring the continuing vitality of a professional component for board decision-making is inclusion of such persons on the board.

Integration of Benefits Administration with Investments

The benefits of integrating pension administration with investment need to be more clearly identified and considered in light of the resulting loss of focus and attention on investments by the board, management, and participants. It is questionable whether any possible benefits would compare with the potential adverse effects on returns on investments of over \$4.4 billion.

One of the Department's main concerns in advocating a separate organization for investment management has been to increase the visibility of, focus on, and attention to investments. For precisely these reasons, the Department both sought to extricate investment management from line agency status and opposed mixing it with the Permanent Fund.

The importance of these concerns is reflected in the fact that many of the nation's leading institutional investors have been spinning-off their investment management activities into separate organizations. Major banks with which the Department is acquainted, such as Citibank, Morgan Guaranty, Security Pacific, and Bank of America, have moved the investment management function out of their trust departments into separate subsidiaries. As indicated in the enclosed news articles, Stanford, Harvard, Princeton, and Duke Universities have done likewise. These developments are part of the trend during the 1980's in the corporate world to downsize, restructure, and spin-off corporate functions to achieve more intensive management focus and ultimately profitability. This was a reaction to the unwieldy conglomerates created in the 1970's.

Integration does not seem to be required for purposes of coordinating administrative and investment functions. The Department is able to identify very little activity that involves joint action or direct interaction of the Departments of Revenue and Administration. Most such activity consists of consolidated reporting in the PERS and TRS newsletters, audits, actuarial reports, and annual reports. In these areas, coordination is achieved as required without resorting to organizational amalgamation. The Department of Revenue's advice is provided as to two of the several assumptions used in the actuary's report--namely, the assumed investment earnings rate and the method for valuation of investments. The audit of the retirement systems as a whole, done by auditors retained by the Division of Retirement and Benefits, relies on the audits of investment assets performed by the Treasury Division's auditors. Regulations recently adopted by the Department of Revenue require the submission of various investment reports as well as an annual oral presentation of the reports and investment policy to the retirement boards. This is and has been the practice. These joint activities are sporadic and do not require daily or ongoing interaction.

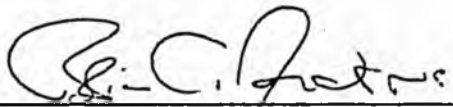
Another prominent, highly successful example of the separation of benefit and investment management organizationally is that of the Department of Revenue's Permanent Fund Dividend Division and the Alaska Permanent Fund Corporation.

The one really critical link between the liabilities (benefits) side of the systems and the assets (investment) side is the long-range cash flow projections of the systems done by the systems' actuary. These are performed annually and included in the actuary's report. As Gordon S. Harrison stated in his September 27, 1990 memorandum,

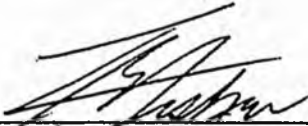
"(Investment) policies should reflect the characteristics of the fund and its participants, such as the size of the fund, promised benefit scales, employer and employee contribution rates, liquidity demands by retirees, investment returns, and the turnover rate, age profile, life expectancies and salary increases of members."

The cash flow projections specifically incorporate all of these characteristics and are used by the Department to establish investment policy for the retirement funds.

Should unforeseen needs arise for coordination, avenues are available to meet the needs. Benefits administration is governed through public meetings of the retirement boards. The Department of Revenue receives meeting agendas and can attend the meetings like any public person would, or may be called upon by the Department of Administration or the boards to appear. The Department rarely has occasion to attend the boards' benefit meetings. Establishment of an investment corporation would afford similar access to the Department of Administration with respect to investment matters. This is in addition to direct consultation between the departments when needed.

BY: 

DATE: 2.11.91

BY:   
Department of Revenue

DATE: 2-11-91

**DEPARTMENT OF REVENUE  
POSITION PAPER**

**CS SS SB 18  
Alaska State Pension Corporation**

The goal should be to provide for continued prudent management of State of Alaska retirement funds. To accomplish this goal, there are several alternatives including the following:

1. continued sole fiduciary in the Commissioner of Revenue.
2. a separate corporation managed by a board of trustees with minimal accountability to the Governor.
3. a retirement board within the Department of Revenue.

A retirement board within the Department of Revenue as proposed in SB 10 is clearly preferable. It requires minimal additional expenses, uses existing structures and staff within Treasury Division, and provides for shared fiduciary responsibility.

State pension plans may be managed in a variety of ways including the three basic alternatives listed above. A clear majority of states use an investment board within state government. A few have a sole fiduciary but we are not aware of any who have a separate corporate structure. Most boards are accountable to the governor. Many years ago there were abuses of pension monies. These abuses led to federal and State laws governing pension funds. As a result, pension funds are managed more responsibly with substantially greater member benefit protections.

In Alaska, members of state pension plans are protected. Article 12 of the Constitution requires that there be no diminishment of benefits. In other words, a member's benefits may not be reduced and benefit reductions can only be applied to new members. Absent the trust fund, annual benefit payments would have to be appropriated annually. The members are guaranteed their benefits by the State of Alaska. The State is required to actuarially fund the retirement system. The State cannot remove monies from the fund to pay for other expenditures because this would probably be considered a diminishment of benefits. By statute, members pay a fixed rate toward funding a pension plan and the State and the participating subdivisions make up the actuarially computed difference. The State, through its governor, should be in control of managing the pension funds. This is because the State is the ultimate guarantor of benefits and the members' contributions rates are fixed. The pension monies should, of course, be managed in accordance with rules of prudence which is presently the case.

The Commissioner of Revenue is now the fiduciary. In performing his duties, the Commissioner is charged with applying the prudent investor rule in exercising his fiduciary duty in the financial best interest of the funds entrusted to him and the beneficiaries of those funds. CS SS SB 18 ("Bill") would apply this rule of prudence to a board of trustees. The concept of a shared fiduciary has merit. Decisions regarding the management and investment of pension monies would be shared by a board. The board members could bring their collective knowledge and ideas to the decision-making process.

The separate corporation and member controlled board proposed in the Bill will cost more to operate and will be an entity with no accountability to the people through their elected officials and especially the governor. A fiduciary board can be constituted within the Department of Revenue as was proposed in SB 10. This board could perform the same functions as the board proposed for the separate Corporation. A fiduciary board within Revenue would operate within an existing structure at minimal additional cost and would be accountable to the governor. The board would be charged with full fiduciary responsibilities and be required to exercise the prudent investor rule.

The board of trustees created by the Bill would be controlled by elected members. The board would elect its own chair. The board would consist of four elected members, two appointed by the governor from political subdivision employer nominees, and the Commissioner of Revenue. These seven then elect an eighth member which means the elected members have majority representation. Trustees serve four year terms. The governor may not remove a trustee unless the trustee cannot perform "normal" duties due to mental or physical incapacitation, is convicted of a felony, or commits an act that under State law constitutes a felony or misdemeanor that is incompatible with service on the Board.

This board would be exempt from the procurement code, all its employees would be in the exempt service, and the board would retain its own legal counsel. With all this independence, the State must still indemnify the trustees against liability.

The Bill does set forth some good management tools. It provides for performance measurement, investment advisory service, an advisory counsel, and an annual audit. Treasury now performs many functions required by the bill. PERS and TRS funds have performance measurement by a nationally recognized firm. All trust funds are audited by an independent CPA firm with an opinion as to conformance with generally accepted accounting principles. Treasury uses investment advisors, monthly financial statements are prepared, and results are presented semi-annually to the PERS and TRS boards. The management practices set forth in the Bill can be required of a single fiduciary or a shared fiduciary. In fact, these functions should be performed even if not required.

Treasury has been accused in the past of improper management, poor investment results, and high costs. While there were some problems, the retirement funds averaged an annual rate of return of 12.4% over the five years ended June 30, 1990. By comparison, the Permanent Fund averaged 11.3%. Based on the Permanent Fund's investment objectives, they achieved an excellent rate of return. The retirement funds were more heavily invested in equities resulting in the higher earnings rate. While it is true it cost more to manage the retirement funds, there is a reason for this. Treasury manages several funds and not just one, it costs substantially more to manage equities than fixed income securities, and the retirement funds are still managing real estate mortgages acquired several years ago. If the additional rate of return of 1.1% (12.4% - 11.3%) is considered, the retirement funds earned approximately \$55 million (\$5 billion at 1.1%) more than if the Permanent Fund rate of return was earned. This is an annual amount of additional earnings. These earnings far more than offset the additional cost. Also a substantial amount of time is spent working the real estate mortgages which are becoming a smaller part of the total portfolio. The real estate mortgages amounted to 23.9% of the portfolio at June 30, 1985 and only 4.5% at June 30, 1990.

The Bill has recently been touted as a cure for the apparent problems with SBS invested monies. SBS monies were managed and invested by the Department of Administration. The current problems are certainly not due to retirement fund considerations. Moving SBS monies to an independent corporation for management is a hasty reaction and may not be the best solution. After all, SBS monies are immediately employee vested. Perhaps the employees should have the opportunity to direct their investments.

The Bill provides that the corporation advise the Commissioner of Administration concerning the investment of funds held under the State deferred compensation program. The first question that should be resolved is who should manage deferred compensation monies. This program is entirely voluntary and considerable consideration should be given to employee directed investments. For both SBS and deferred compensation, a standard low-risk U.S. government securities fund could be established. Employees wishing a more aggressive posture could elect other options.

In conclusion, this bill sets up an independent corporation not responsible to the people through the governor. The State, by Constitution, is the ultimate guarantor of pension benefits and the employer rate is the one that fluctuates to meet actuarial requirements while the employee rate is fixed. Yet the board would be controlled by members of the retirement funds and board members could not be removed by the governor except in very unusual circumstances. The corporation would be exempt from procurement code requirements and all employees would be in the exempt service. The corporation can retain its own legal counsel and yet the State must indemnify the fiduciary against liability. The corporation would experience substantial start-up costs and would be administratively more expensive to operate than a board within Revenue.

A separate investment board created within the Department of Revenue should be established. Most features of CS SS SB 18 could be incorporated into the investment board functions and the board member composition could be modified to conform more to that of proposed SB 10.

SFC-91  
2/19/91

SBS ANNUITY CONTRACTS

<u>Name/Initial Year</u>	<u>Percent</u>	<u>Approximate Surrender Value</u>	<u>Maturity Date</u>
State Mutual Life Ins. Co./1985	13.01%	\$151.1 million	January 1, 1991
Transamerica Occidental Life Ins. Co./1986	10.66%	\$77.4 million	January 2, 1992
Aetna Life Ins. Co./1986	9.5%	\$41.5 million	January 2, 1992
Executive Life Ins. Co./1987	8.6%	\$27.1 million	January 2, 1993
New York Life Ins. Co./1987	8.6%	\$69.2 million	January 4, 1993
Transamerica Occidental Life Ins. Co./1988	9.21%	\$59.7 million	January 3, 1994
Executive Life Ins. Co./1988	9.9%	\$52.9 million	January 3, 1994
Metropolitan Life Ins. Co./1989	9.69%	\$73.7 million	January 3, 1995
Transamerica Occidental Life Ins. Co./1989	9.15%	\$55.0 million	January 3, 1995
Executive Life Ins. Co./1989	9.10%	\$90.3 million	July 1, 1994
Exec Life/ 1990	8.46%	\$66.0 million	Jan. 2, 1996

## ALASKA'S TEACHERS NEED AN INDEPENDENT PUBLIC CORPORATION TO MANAGE OUR RETIREMENT FUND

—Charlie Arteaga  
Chair, TRS Board

You know that your retirement depends on the Teachers' Retirement trust fund. You may not realize that you own this retirement fund. You do, and it is time to take a hand in its management.

The Teachers' Retirement System (TRS) trust fund has now grown to more than \$1.6 billion in size. The State of Alaska and local school districts have contributed to this fund for your benefit, but no government owns this money. You own this money. By law, your pension rights are the private property of you, the individual beneficiary.

Unfortunately, some legislators do not understand this fact. Some think the State owns Teachers' Retirement and other pension funds, and some seem to think the fund could be taken or "borrowed" to help solve a fiscal crisis. To fight this kind of thinking, we need to take the TRS fund out of the political arena and put our retirement fund in an independent public corporation where we help run things.

There are other good reasons why we need to make this change now.

Right now, the Commissioner of Revenue, who is a political appointee, is in charge of your fund. (The TRS Board has no direct role in the investment of the funds, although the Board is responsible for administering retirement benefits.) The Commissioner of Revenue has divided loyalties, because the Department of Revenue must manage numerous other funds, collect state taxes, distribute Permanent Fund Dividends, and enforce child support obligations.

Investment of the TRS Fund and the other retirement and trust funds should be the only priority of the organization responsible for the funds. All these other jobs the Department of Revenue has to do tend to keep the TRS fund hidden from the public eye—and you and the other beneficiaries need to know how your retirement funds are being run.

We need to take the TRS fund out of the political arena. We also need to make sure the TRS fund gets more management attention and more visibility than it has under the present set-up. Establishing a separate public corporation for the investment of the TRS fund and other retirement and trust funds is the best way to achieve these goals. (The corporation would separately account for each of the funds, just as the Department of Revenue does now.)

This corporation should be governed by a strong board of directors which should include representatives of you, the beneficiaries, because you have your funds at stake. The board should also include professional investors, who will provide built-in expertise in the complicated world of finance. The corporation should have its own staff, which should be dedicated to achieving the best return for the beneficiaries and not be distracted by other duties.

The TRS Board believes that these changes are overdue. Only a few other states have a single person in charge of their teacher pension plans. A 1989 report by Legislative Audit recommended that the Alaska Legislature put a board of trustees in charge of TRS and PERS. Legislative Audit's recommendations included placing on the board both representatives of the beneficiaries and financial experts.

(See Page 4, TEACHERS NEED INDEPENDENT CORPORATION)

### WHAT'S HAPPENING IN OTHER STATES ...

New Jersey Retired Educators' Association is increasing its state life membership dues from \$150 to \$375 on August 31. Annual unified dues are \$35 and will increase annually with the cost-of-living adjustment.

California Teachers' Association-Retired (CTA-R) and California Retired Teachers' Association (CRTA) are joining forces as a result of an agreement between California Teachers' Association, the statewide active teachers' organization, and CRTA, the predominant association for retired teachers in California. With turf battles settled, the new organization should see rapid growth.

Arkansas Retired Educators' Association has experienced rapid membership growth since passage of legislation to permit dues transmittal through the state retirement system. Arkansas now has 1,960 NEA-R members and is eligible for two official delegates at the annual meeting.

Washington Education Association Retired has life membership dues of \$75 and annual dues of \$10. One of the goals of the organization is to up the maximum of the three percent cost-of-living adjustment for retirees.

Michigan Education Association-Retired has as a part of its pre-retirement seminars a computerized program for use in determining retirement benefits and retrieving information about specific programs in the retirement system.

### NEA-AK/R NEWSLETTER

The official organ of NEA-Alaska/Retired, the Newsletter is published quarterly at Anchorage, Alaska.

Editor: Dr. Merritt C. Olson

**ALASKA'S TEACHERS NEED INDEPENDENT CORPORATION**

(Continued from page 1)

Legislation to accomplish this came very close to being enacted during the last session of the legislature. The bill was called Senate Committee Substitute for Committee Substitute for House Bill 580 (State Affairs). The only thing that prevented the passage of this legislation was the belief of some legislators that mixing the management of the TRS fund and other retirement funds in with the management of the Permanent Fund was a better approach. It is not.

The Permanent Fund is owned by all Alaskans. The retirement funds are owned by you and other beneficiaries. Getting mixed up with the Permanent Fund will confuse the point we need to make--that the retirement funds are our property, not the property of all Alaskans and every legislator.

Mixing the retirement funds in with the Permanent Fund would create a complicated, unwieldy creature just when we are on the verge of establishing a strong management structure for the retirement funds that will give those funds high visibility and clarity of purpose. TRS and the other retirement funds have been buried at the Department of Revenue for years. Why would we bury them now in the Permanent Fund?

The management of the retirement funds will be an important issue during next year's legislative session. I urge you to tell your legislator--and all those who want to be your legislator--that you support an independent public corporation to run your retirement fund. The Teachers' Retirement System fund belongs to you and other teachers, active and retired. Creating an independent public corporation will allow you to have a say in the management of your money, and will make the system more accountable to you. You and your money deserve nothing less.

**ALASKA TRS SAYS 'NO' TO DUES CHECK-OFF**

The Alaska Teachers' Retirement System recently denied NEA-Alaska/R's request for a membership check-off for dues payments. Sally Smith, director of the Division of Retirement and Benefits, indicated that the check-off would involve expenses in compiling lists that "would impact an already stretched operation at a cost to everyone--not just those who express interest."

Last year the Arkansas legislature enacted a measure that mandated the retirement system of the state to provide a dues check-off for the Arkansas Retired Educators' Association. It has resulted in a marked increase in membership for the Arkansas retired group.

**MEDICARE MAKES CHANGES IN CLAIMS REPORTING**

Beginning September 1, 1990, doctors providing medical treatment must prepare and submit Medicare claims for all Part B services, Medicare officials recently announced. Details of the announcement include:

- The physician, surgeon or medical supply company MUST prepare and submit the claim even if assignment is not accepted. A charge cannot be made for handling the claim.
- If the provider of medical services does not agree to accept the Medicare approved amount as payment in full, the patient is responsible for paying the entire bill. Medicare payment for the approved amount will be mailed directly to the patient.
- If the provider of medical services refuses to prepare and submit the Medicare claim, the patient should contact the Medicare carrier.

**NEA-ALASKA PRESIDENT'S MESSAGE . . .**

--Don Oberg

The 1989-90 success of NEA-Alaska was due to a great extent to the support and leadership of the members of NEA-AK/Retired. Your organizational talents were perhaps most evident in the political arena as we were able to gain significant improvements in our retirement programs and other NEA-Alaska legislative priorities.

We look forward to another productive and rewarding year working together to improve our Alaskan schools as well as benefits to members of our profession--past and present.

**PRE-RETIRED SEMINAR FEATURED AT NEA-AK ISSUES CONFERENCE**

NEA-Alaska/R gave two pre-retirement seminar sessions at the NEA-Alaska Issues Conference held at the Anchorage Hilton Hotel on August 9 and 10. The first sectional covered financial planning and TRS pension and Social Security coverage. The second session dealt with choosing a retirement location.

Don Schulz, Hank Harrison and Merritt Olson conducted the sessions which were attended by 35 teachers and educational support personnel from all parts of Alaska.

**MEMBERSHIP DUES:**

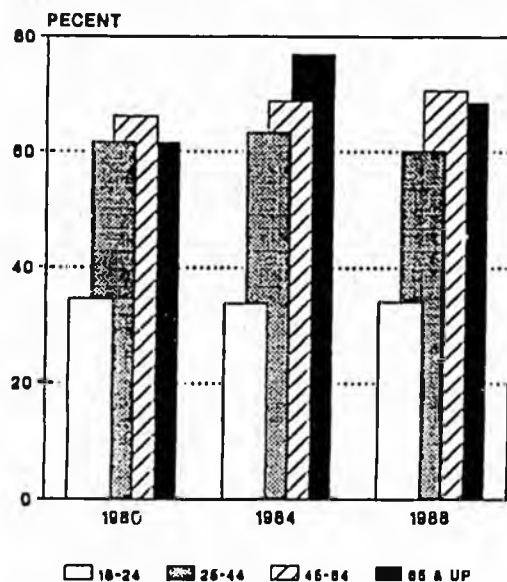
NEA-R Life	\$100
Annual	\$ 10
NEA-AK/R Life	\$200
Annual	\$ 25

## OLDER VOTERS

Older people are generally eager to participate in all facets of political life. Older persons are often involved in registering voters, assisting voters in traveling to polls, and actually conducting poll operations on election day. They believe in the Eisenhower adage, "Politics should be the part-time profession of every citizen."

The voter turnout graph illustrates the participation rate of four age groups of Alaska voters in elections held between 1980 and 1988.

VOTER TURNOUT GRAPH



Prepared for AARP by Election Data Services

## 1991 ALASKA LEGISLATIVE PROGRAM

### PRIORITIES

#### HEALTH

- Increase access to appropriate and affordable health care for all Alaskans by:
  - advocating formulation of a health policy for Alaska
  - supporting concept of state-mandated insurance for the uninsured
  - seeking legislation and appropriations for a comprehensive and coordinated program of home-, community-, and institutionally-based services throughout the state
  - supporting availability of adequate health insurance for all, including those uninsured

#### ECONOMIC SECURITY AND BUDGET

- Strengthen programs which will provide economic security for all Alaskans by:
  - supporting legislation to stabilize the Longevity Bonus Program
  - advocating recognition of the economic and social value of the retirement community by supporting programs to encourage retirees to remain in Alaska
  - supporting full funding of present property tax relief to senior citizen homeowners and renters

#### SUPPORT ITEMS

- Support legislation to provide separate management of public pension funds
- Support efforts to improve availability of insurance by means of tort reform and/or increased regulations consistent with adequate consumer protection

SL1003AK(1090)

## ALASKA

State Legislative Committee

# 1991 FACTS & LEGISLATIVE PRIORITIES



American Association  
of Retired Persons



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS

PARTMENT Revenue	DIVISION Treasury	BILL NUMBER CS SS SB 18	SPONSOR Pourchot
SHORT TITLE OF BILL An act creating the Alaska State Pension Corporation			
PARTMENT POSITION Oppose			
PREPARED BY Darrel Rexwinkel	DATE 3-21-91	COMMISSIONER'S SIGNATURE <i>[Signature]</i>	DATE 3-21-91

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Administration	CONSTITUENT GROUPS AFFECTED BY BILL Members of State Retirement Systems and participating employers
ORGANIZATIONAL SUPPORT FOR BILL Alaska Municipal League, member organizations	ORGANIZATIONAL OPPOSITION TO BILL Not known

SCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

1. Establish public corporation to manage pension monies.
2. Member controlled board of trustees not accountable to the Governor.
3. Shared fiduciary responsibility.

ANALYSIS OF BILL/PROGRAM EFFECTS (see attached position paper)

1. Shared fiduciary should result in greater public and member confidence over investment practices.
2. Improved investment performance may be obtained due to collective input into investment decisions.
3. Separate corporation would add significantly to administrative costs. The new entity would require facilities, computer systems, start-up costs, more State employees, employees would be exempt, and the Corporation would be exempt from the procurement code.
4. Governing board would have minimal accountability to the Governor.

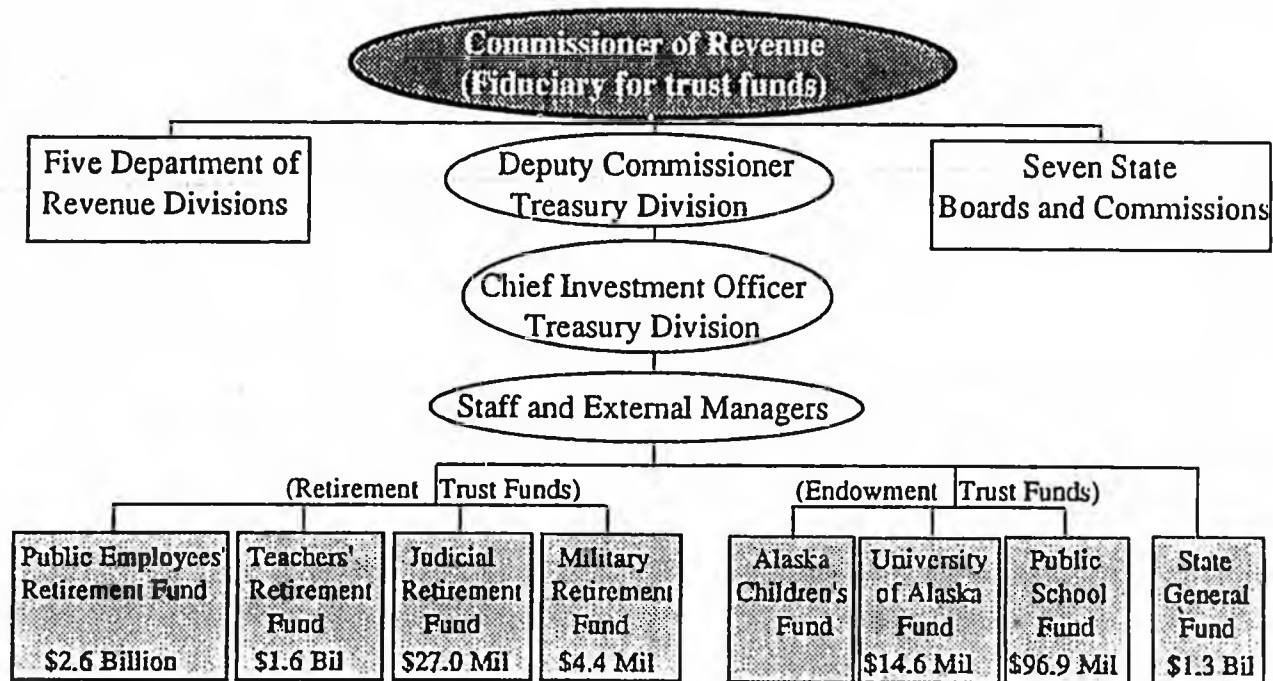
AMENDMENTS PROPOSED

1. Investment board within Department of Revenue.
2. Nine member board appointed by the Governor consisting of 2 members of the TRS board, 2 members of the PERS board, the Commissioners of Revenue and Administration, and three public members.
3. Elimination of SBS and deferred compensation oversight.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

CURRENT LAW  
(FIGURE 1)

**INVESTMENT OF STATE FUNDS**



ONLY 6 STATES STILL HAVE A SOLE INDIVIDUAL AS FIDUCIARY.

page-  
411

## ORGANIZATION AND FUNCTION

The Department of Revenue, Division of Treasury (Treasury) is responsible for, and has sole discretion over, the prudent investment and management of the Public Employees' Retirement Fund (PERS) and the Teachers' Retirement Fund (TRS).

Chapter 141, SLA 1988 amended PERS and TRS statutes by designating the funds as retirement trust funds and appointing the commissioner of Revenue as treasurer of the retirement systems and fiduciary of the funds. Under the amending legislation, the commissioner of Revenue shall:

1. Consider the status of the funds' investments and the system's liabilities on both a current and a probable future basis.
2. Determine the appropriate investment objectives for the funds.
3. Establish investment policies aimed at achieving the objectives.
4. Act only in regard to the best financial interests of the system's beneficiaries.

The amendments also repealed the "legal list" of investments the retirement funds were restricted to and placed upon the commissioner of Revenue, or his designee, the responsibility of fund fiduciary. Treasury also employs external investment managers who manage a substantial portion of the retirement funds.

Additionally, there are two boards which oversee the administrative aspects of the retirement systems. The Public Employees' Retirement Board is composed of five members, three of whom are members of the Department of Administration personnel board and two who are members of the system and elected by the membership of the system. The Teachers' Retirement Board consists of five members appointed by the governor. Both boards are mostly administrative in nature, being responsible for governing the regulatory aspects of the retirement systems.

The Alaska Permanent Fund is managed by an executive director, who reports to a six-member board of trustees appointed by the governor.

TREASURY DIVISION  
 DEPARTMENT OF REVENUE  
 STATE OF ALASKA  
 July 26, 1990

Deputy Commissioner 5001  
 28

DEBT MANAGEMENT

Special Assistant 5036  
 to the Commissioner II  
 23

State Investment 5025  
 Officer II  
 22

Secretary II 5003  
 11

Research 0020  
 Analyst III  
 18

CASH MANAGEMENT

State Investment 5029  
 Officer III  
 24

INVESTMENT ACCOUNTING

Comptroller 5002  
 24

INVESTMENT MANAGEMENT

State Investment 5011  
 Officer IV  
 30

State Investment 5013  
 Officer II  
 22

Secretary I 5015  
 10

MARKETABLE  
 SECURITIES MANAGEMENT

State Investment 5005  
 Officer III  
 24

REAL ESTATE MANAGEMENT

State Investment 5012  
 Officer III  
 24

Accounting 5020  
 Technician III  
 16

Accountant IV 5010  
 20

Accounting 5007  
 Supervisor I  
 16

State Investment 5030  
 Officer II  
 22

Loan Examiner III 5024  
 19

Accounting 5009  
 Technician II  
 14

Accounting 5026  
 Technician II  
 14

Accounting 5014  
 Technician II  
 14

State Investment 5032  
 Officer I  
 20

Loan Examiner I 5033  
 15

Accounting 5018  
 Clerk II  
 9

Accounting 1145  
 Technician I  
 12

Accounting 5008  
 Technician III  
 16

Loan Examiner I NEW  
 15

Accounting 5021  
 Technician II  
 14

Clerk Typist III 5022  
 8

Deputy Commissioner: Walter B. Becker

Date: 9-10-90

**FISCAL NOTE**

*3-26-91 Copies to HFC  
this date.*

**STATE OF ALASKA**  
**1991 LEGISLATIVE SESSION**

**BILL NO. CSSSSB18**

Revision Date: 3/22/91

Department Affected: Revenue

Title: Alaska State Pension Corporation

BRU: Revenue Operations

Component: Treasury

Sponsor: Senator Pourchot

**Component Serial No.**

Requestor: \_\_\_\_\_

	1	2	1
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**Expenditures/Revenues: (Thousands of Dollars)**

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)
<b>TOTAL OPERATING</b>	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)
<b>TOTAL</b>	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

**ANALYSIS:** See attached.

Prepared by: Brian C. Andrews *BCA* 211

Phone: 465-2350

Division: Treasury Division

Date: March 22, 1991

Approved by Commissioner: *[Signature]*

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

March 22, 1991 Analysis of CS SS SB 18

Revenue/Treasury

Alaska State Pension Corporation is assumed to take over retirement fund investments July 1, 1992. FY 93 is the full amount of the original FY 92 budget for retirement funds less a personal service cost adjustment of 575.0 resulting from the continual need for investment management of the General Investment Fund, Endowment Funds and other State trust funds which are currently be handled on a pro rata basis with retirement funds. Costs for FY 94 - FY 97 have been incremental increased by a compounded 4 per cent over FY 93.

**FISCAL NOTE**

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. CSSSSB18

Revision Date: 3/22/91

Department Affected: Alaska Pension Fund Corporation

Title: Alaska State Pension Corporation

BRU: \_\_\_\_\_

Component: \_\_\_\_\_

Sponsor: Senator Pourchot

Component Serial No.

Requestor: \_\_\_\_\_

**Expenditures/Revenues: (Thousands of Dollars)**

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	1,277.5	20,993.6	21,833.3	22,706.7	23,614.9	24,559.4
<b>TOTAL OPERATING</b>	<b>1,277.5</b>	<b>20,993.6</b>	<b>21,833.3</b>	<b>22,706.7</b>	<b>23,614.9</b>	<b>24,559.4</b>

<b>CAPITAL</b>						
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<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER	1,277.5	20,993.6	21,833.3	22,706.7	23,614.9	24,559.4
<b>TOTAL</b>	<b>1,277.5</b>	<b>20,993.6</b>	<b>21,833.3</b>	<b>22,706.7</b>	<b>23,614.9</b>	<b>24,559.4</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

**ANALYSIS:** See attached.

Prepared by: Brian C. Andrews *BCA* *DJA*

Phone: 465-2350

Division: Treasury Division

Date: March 22, 1991

Approved by Commissioner: \_\_\_\_\_ *[Signature]*

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

March 22, 1991 Analysis of CS SS SB 18

Pension Corporation

Alaska State Pension Corporation is assumed to start up on January 1, 1992 for the take over of retirement fund investments on July 1, 1992 from Treasury. Start up costs include a separate physical location, furniture and equipment, electronic hardware and software, personal service costs, supplies and other obligations. FY 93 costs represent Treasury's FY 92 budgeted amount, separate physical location, personal service cost increases and the management of SBS. Costs for FY 94 - FY 97 have been incremental increased by a compounded 4 per cent over FY 93.

FISCAL NOTE

No. 3

Version: SB 18

(S) Publish Date: 2/1/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Revenue  
Title: Alaska State Pension Corporation BRU: Treasury  
Component: \_\_\_\_\_

Sponsor: Pourchot  
Requestor: Senate State Affairs COMPONENT SERIAL NO. 

1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)
TOTAL OPERATING	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)
TOTAL	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.) Alaska State Pension Corporation is assumed to take over retirement fund investments January 1, 1992. FY 92 figures are half the amounts requested in Treasury's FY 92 budget for retirement funds. FY 93 - 97 are the full amount of FY 92 budget for retirement funds.

Prepared By: Milton B. Barker <sup>MB</sup> Phone: 465-2350  
Division: Treasury Date: 1-25-91

Approved by Commissioner: Milton B. Barker for  
Agency: Revenue Date: 1-25-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 2

Version: SB 18

(S) Publish Date: 2/1/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Alaska State Pension Corporation

Title: Alaska State Pension Corporation BRU: \_\_\_\_\_

Component: \_\_\_\_\_

Sponsor: Pourchot

Requestor: Senate State Affairs

COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4
<b>TOTAL OPERATING</b>	<b>9,846.2</b>	<b>19,692.4</b>	<b>19,692.4</b>	<b>19,692.4</b>	<b>19,692.4</b>	<b>19,692.4</b>

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4
<b>TOTAL</b>	<b>9,846.2</b>	<b>19,692.4</b>	<b>19,692.4</b>	<b>19,692.4</b>	<b>19,692.4</b>	<b>19,692.4</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.) FY 92 - 97 are the amounts deleted from the Treasury budget on the attached fiscal note. Net incremental cost is zero.

Prepared By: Milton B. Barker <sup>MB</sup> Phone: 465-2350

Division: Treasury Date: 1-25-91

Approved by Commissioner: Milton B. Barker for

Agency: Revenue Date: 1-25-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

No. 1

Version: 5818

(S) Publish Date: 2/1/91

Revision Date: \_\_\_\_\_  
 Title: An Act Establishing the Alaska State Pension Corporation.  
 Sponsor: Pourchot  
 Requester: \_\_\_\_\_

Department Affected: Administration  
 BRU: Retirement & Benefits  
 Components: Retirement & Benefits  
 COMPONENT SERIAL NO. 64

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

General Funds	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time	0.0	0.0	0.0	0.0	0.0	0.0
Part-Time	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (attach a separate page if necessary)  
 There is no measurable fiscal impact to the Division from this bill.

Prepared By: Gary M. Bader, Director *Gary M. Bader* Phone: 465-4470  
 Division: Retirement and Benefits Date: 1/25/91  
 Approved By Commissioner: *William Kelly* Date: 1/25/91  
 Agency: Administration

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, Impacted Agency(ies)