

SB

89

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/10/95

FURTHER: S.C. 3/8/96

DATE TURNED INTO OFFICE: 3-8-96

The Finance Committee considered **SENATE BILL NO. 89**

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with _____ CS SB 89 (Fix)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical change
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Knapp</i>	✓	<i>David Dingley</i>	✓		
<i>Bob E. Hill</i>	✓				
<i>Bob Knapp</i>	✓				
Co-Chair: <i>Alan</i>	✓				
Co-Chair: <i>Rick Halford</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

<i>DOR</i>	<i>1/22/96</i>		<i>315</i>

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act relating to the members of the board BRU: APFC
and staff of the Alaska Permanent Fund Corporation. Component: APFC
 Sponsor: Senator Rieger
 Requestor: Senate Finance COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL	28.9	29.3	29.7	30.2	30.6	31.1
CONTRACTUAL	2.6	2.6	2.6	2.6	2.6	2.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	31.5	31.9	32.3	32.8	33.2	33.7

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other	31.5	31.9	32.3	32.8	33.2	33.7
TOTAL	31.5	31.9	32.3	32.8	33.2	33.7

Estimate of any current year (FY96) cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note assumes implementation on July 1, 1996. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state.

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees at two seminars.

Other Fund Source: Corporate Receipts.

Prepared by: Byron I. Mallott, Executive Director
 Division: Alaska Permanent Fund Corporation
 Approved by Commissioner: _____
 Agency: Department of Revenue

Phone: (907) 465-2047
 Date: 1/22/96
 Date: _____

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Rieger moved
of adopted

9-LS0683\G.1 ✓ 3/8/96
Lauterbach
2/6/96

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

1 Page 3, line 1, after "board":

2 Insert "except that the board may enter into employment contracts that do not
3 exceed two years' duration"

4 Page 3, line 4, after "AS 39.25.":

5 Delete all material.

6 Page 3, line 5:

7 Delete all material.

SENATE FINANCE
COMMITTEE

Amendment Number: 1
Bill Number: CSSB 89(STA)
Sponsor: S. Rieger Date: 2-6-96
Logged In By: SL

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

- 1 Page 2, line 9:
- 2 Delete "Within the limitations of AS 37.13.075. the [THE]"
- 3 Insert "The"

- 4 Page 2, line 10, after "office":
- 5 Insert "only"

- 6 Page 2, line 23:
- 7 Delete "or remove"

SENATE FINANCE
COMMITTEE
Amendment Number: 2
Bill Number: CSSB 89(STA)
Sponsor: J. Rieger Date: 2-6-96
Logged in By: J.

moved Donley
adopted 3/8/96
9-LS0683\G.3
Lauterbach
2/6/96

A M E N D M E N T

OFFERED IN THE SENATE
TO: CSSB 89(STA)

BY SENATOR RIEGER

SENATE FINANCE
COMMITTEE 3
Amendment Number:
Bill Number: CSSB 89 (STA)
Sponsor: S. Rieger Date: 2-6-96
Logged In By: AW

1 Page 2, line 16:
2 Delete "or"

3 Page 2, line 20, after "corporation":
4 Insert "; or

5 (3) conviction of a crime that would cause a significant number of
6 reasonably prudent members of the public to distrust the trustee's ability to
7 discharge the duties of the trustee"

SENATE FINANCE COMMITTEE REPORT

DATE: 3/10/95

REPORTED OUT OF
FURTHER: 3/8/96

DATE TURNED INTO OFFICE: 3-8-96

The Finance Committee considered SENATE BILL NO. 89

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with _____ CS SB 89 (Fin.)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Kinn</i>	✓	<i>David Doney</i>	✓		
<i>Bill E. Hill</i>	✓				
<i>BA King</i>	✓				
Co-Chair: <i>Alan</i>	✓				
Co-Chair: <i>Rick Halstad</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

<i>DOR</i>	<i>1/22/96</i>		<i>315</i>

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

2-1-96
See p. 3 for
proposed lang.
by Sen. Donley.
9-LS0683VG

CS FOR SENATE BILL NO. 89(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 3/10/95
Referred: Finance

Sponsor(s): SENATORS RIEGER, Frank, Green, Halford, Kelly, Leman, Miller, Pearce, Phillips,
Sharp, Taylor, Torgerson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the members of the board and staff of the Alaska
2 Permanent Fund Corporation."

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

4 * Section 1. AS 37.13.050(a) is amended to read:

5 (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists
6 of seven [SIX] members appointed by the governor. One [TWO OF THE MEMBERS
7 MUST BE HEADS OF PRINCIPAL DEPARTMENTS OF STATE GOVERNMENT,
8 ONE OF WHOM] shall be the commissioner of revenue. Six [FOUR] members shall
9 be appointed by the governor from the public and may not hold any other state or
10 federal office, position, or employment, either elective or appointive, except as a
11 member of the armed forces of either the United States or of this state.

12 * Sec. 2. AS 37.13.050(b) is amended to read:

13 (b) The [FOUR] public members of the board must have recognized
14 competence and wide experience in finance, investments, or other business

1 management-related fields and at least two of the public members must have
2 recognized competence and wide experience in investment portfolio management.

3 * Sec. 3. AS 37.13.060 is amended to read:

4 Sec. 37.13.060. TERM OF OFFICE. The public members of the board shall
5 be appointed for terms of four years, and they may be reappointed. The terms of the
6 public members shall be staggered so that the terms of no more than two [ONE
7 TERM OF A] public members expire [MEMBER EXPIRES] each year.

8 * Sec. 4. AS 37.13.070(a) is amended to read:

9 (a) Within the limitations of AS 37.13.075, the [THE] governor may remove
10 a public member of the board from office for cause. A removal by the governor must
11 be in writing and must state the reason for the removal. A member who is removed
12 by the governor may not participate in board business and may not be counted for
13 purposes of establishing a quorum after the member receives written notice of removal
14 from the governor. In this subsection, "cause" means

15 (1) incompetency, which is the inability or the unintentional or
16 intentional failure to perform the duties of the trustee; or

17 (2) misfeasance or malfeasance in office, which includes the failure
18 of the trustee to exercise prudent judgment in the affairs of the corporation or
19 intentionally taking action for reasons other than the financial best interest of the
20 corporation.

21 * Sec. 5. AS 37.13 is amended by adding a new section to read:

22 Sec. 37.13.075. LIMITATIONS ON GOVERNOR. (a) The governor shall
23 base the decision to appoint or remove a board member solely on the financial best
24 interest of the fund.

25 (b) The governor may not influence or attempt to influence the board to make
26 an investment decision that violates prudent investment principles.

27 (c) Violation of this section constitutes a violation of AS 39.52.

28 * Sec. 6. AS 37.13.100 is amended to read:

29 Sec. 37.13.100. CORPORATION STAFF. The board may employ and
30 determine the salary of an executive director. The executive director may, with the
31 approval of the board, select and employ additional staff as necessary. The executive

1 director and other employees serve at the pleasure of the board. An employee of
2 the corporation, including the executive director, may not be a member of the board.
3 The executive director and the other employees of the board are in the exempt service
4 under AS 39.25. The board may not enter into an employment contract with an
5 employee that exceeds two years' duration.

6 * Sec. 7. AS 37.13.100 is amended by adding a new subsection to read:

7 (b) A board member shall act solely in the best interest of the fund when
8 making decisions regarding the executive director or employees of the corporation.

9 A person who violates this subsection breaches a fiduciary responsibility.

2-1-96
DD Any employee contract
prop. amend. lang. should specify that
the employee serve
at the pleasure of the board.

2-1-96
No action
taken on the
above.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

- 1 Page 2, line 9:
- 2 Delete "Within the limitations of AS 37.13.075, the [THE]"
- 3 Insert "The"

- 4 Page 2, line 10, after "office":
- 5 Insert "only"

- 6 Page 2, line 23:
- 7 Delete "or remove"

SENATE FINANCE
COMMITTEE
Amendment Number: 2
Bill Number: CSSB 89 (STA)
Sponsor: J. Rieger Date: 2-6-96
Logged in By: LU

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

SENATE FINANCE
COMMITTEE

Amendment Number: 3

Bill Number: CSSA 89(STA)

Sponsor: S. Rieger Date: 2-6-96

Logged In By: AW

1 Page 2, line 16:

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5 (3) conviction of a crime that would cause a significant number of
6 reasonably prudent members of the public to distrust the trustee's ability to
7 discharge the duties of the trustee"

Alaska State Senate

SENATOR STEVE RIEGER
District 1

Senate Finance Committee
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee
Administrative Regulation Review Committee
Legislative Council



During Session:
State Capitol, Room 516
Juneau, Alaska 99801
(907) 465-3879

716 West 4th Avenue, Suite 530
Anchorage, Alaska 99501
(907) 258-8188

Sponsor Statement

SB 89 – An Act Relating to the Members of the Board and Staff of the Alaska Permanent Fund Corporation

In the past two years there has been 100% turnover in the top management of the Alaska Permanent Fund Corporation – among them the executive director, the chief investment officer, and all six trustees. This level of turnover is not healthy.

The purpose of SB 89 is to provide greater continuity in the management of the fund, which should translate into more careful, deliberate financial decision-making. The bill makes it clear that removal of a trustee must be for cause and reduces the cabinet-member appointees from two members to one member. The number of public members is increased from four to six members with staggered terms. Senate Bill 89 also clarifies that the investment policies of the fund and staffing decisions must be made solely in the best interest of the fund.

The management issue is significant because the Alaska Permanent Fund is significant. In a few short years, the Permanent Fund has grown to over \$18 billion. This is an amount more than seven times the amount of general funds used in the annual state operating and capital budget. Sound and stable management of a fund of this magnitude is essential.

With the exception of the accelerated removal of trustees which occurred in the last two governor transitions, this bill is not aimed at correcting any particular past practices. Passage of SB 89 should not be construed as an indication that any past Permanent Fund Board of Trustees' decisions were incorrect or improper. Instead, SB 89 is forward-looking – designed to strengthen the protections for the corpus of the fund – so that the fund will be of maximum value and long-lived.

January 25, 1996



JAN 30 1996

Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: January 29, 1996

TO: Senator Steve Rieger
Senator Rick Halford

FROM: Byron I. Mallott *Byron I. Mallott*
Executive Director

SUBJECT: **Trustees' Position on Senate Bill No. 89 and
Senate Joint Resolution 14**

This is to reiterate the position of the Board of Trustees regarding Senate Bill No. 89 and Senate Joint Resolution 14. As was the case last session, the Board does not intend to take a position on either the bill or the proposed Constitutional amendment because, in their view, the issues addressed are legislative prerogatives.

c: Board of Trustees
Pat Pourchot, Governor's Legislative Director

FISCAL NOTE

No. 1
 Bill Version: SB 89
 (S) Publish Date: 3-10-95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BII

Dept. Affected: Revenue
 BRU: APFC
 Component: APFC
 COMPONENT SERIAL NO. 109

Revision Date: _____
 Title: An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation.
 Sponsor: Senator Rieger
 Requester: Senate State Affairs

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL	28.4	28.9	29.3	29.7	30.2	30.6
CONTRACTUAL	2.6	2.6	2.6	2.6	2.6	2.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	31.0	31.5	31.9	32.3	32.8	33.2

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

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1006 GF/MHTIA						
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Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note assumes implementation on July 1, 1995. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state.

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees at two seminars.

Other Fund Source: Corporate Receipts.

Prepared by: Byron J. Mailott, Executive Director
 Division: Alaska Permanent Fund Corporation
 Approved by: _____
 Commissioner: Deborah Vogt
 Agency: Revenue

Phone: 465-2047
 Date: 3/6/95
 Date: 3/7/95

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318195
(S) STA, FIN

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 89

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act relating to the members of the board BRU: APFC
and staff of the Alaska Permanent Fund Corporation. Component: APFC
 Sponsor: Senator Rieger
 Requester: Senate State Affairs COMPONENT SERIAL NO. 109

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 Division: Alaska Permanent Fund Corporation
 Approved by: _____
 Commissioner: Deborah Vogt
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Phone: 465-2047
 Date: 3/6/95
 Date: 3/7/95

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SENATE COMMITTEE REPORT
First Committee of Referral

has further reb.

DATE: 2/15/95

FURTHER: Finance

Date of 5-Day Notice: 3/2/95
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-10-95

Due

State Affairs Committee considered SENATE BILL NO. 89

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

FN

and recommends:

- be replaced with CS SR 89 (STA)
- adopt previous CS _____
- attached amendment(s) _____
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Senate Bill:
 Same title
 new title
House Bill:
 technical change
 new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Low A. Jensen</i>	<input checked="" type="checkbox"/>	<i>Jan Dun com</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>Ben Abney</i>	<input checked="" type="checkbox"/>				

NEW FISCAL NOTE(S): FY96

Department	Date	Zero	Fiscal
<i>REV</i>	<i>3/7</i>		<i>31.0</i>

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill