

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 715

1 Pension Corporation is the fiduciary of the receipts of the employee benefits program established
2 under AS 39.30.150 - 39.30.180 and has the powers and duties concerning the management and
3 investment in regard to those receipts that are provided under AS 14.25.180.

4 * Sec. 13. AS 39.35.020 is amended to read:

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

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

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

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

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

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

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

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

30 * Sec. 14. AS 39.35.080 is amended to read:

31 Sec. 39.35.080. DUTIES OF THE ALASKA STATE PENSION CORPORATION

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

6 * Sec. 15. AS 39.50.200(b) is amended by adding a new paragraph to read:

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

8 * Sec. 16. AS 44.25.020 is amended to read:

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

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

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

15 (3) register cattle brands;

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

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

20 * Sec. 17. TRANSITION. All litigation, hearings, investigations, and other proceedings pending
21 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,
22 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal
23 provided for in this Act. Orders and regulations issued or adopted under authority of a law amended
24 or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise
25 modified under the provisions of this Act. All contracts, rights, liabilities and obligations created by or
26 under a law amended or repealed by this Act, and in effect on the effective date of this Act, remain in
27 effect notwithstanding this Act's taking effect. Records, equipment, and other property of agencies of
28 the state whose functions are transferred under this Act shall be transferred commensurate with the
29 provisions of this Act.

30 * Sec. 18. ORGANIZATION OF TRUSTEES. (a) Notwithstanding AS 37.10.210(c), enacted by
31 sec. 2 of this Act, the initial terms of the members, other than the commissioner of revenue, of the board

1 of trustees of the Alaska State Pension Corporation shall be as follows:

2 (1) one elected member and one appointed member shall serve terms of four years;

3 (2) two elected members shall serve terms of three years;

4 (3) one elected member and one appointed member shall serve terms of two years;

5 (4) one elected member and one appointed member shall serve one-year terms.

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

8 * Sec. 19. AS 37.10.210 and 37.10.230 - 37.10.390, enacted by sec. 2 of this Act, and sec. 18 of this
9 Act take effect July 1, 1991.

10 * Sec. 20. Except as provided in sec. 19 of this Act, this Act takes effect on the earlier of July 1,
11 1992, or the date established by resolution of the board of trustees of the Alaska State Pension
12 Corporation for the transfer to it of securities and assets of the retirement and benefits funds. The board
13 shall promptly provide the revisor of statutes and the lieutenant governor with a copy of this resolution.

HOUSE BILL NO. 37**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY REPRESENTATIVES ULMER, Koponen, B.Davis**

Introduced: 1/21/91

Referred: State Affairs, Finance

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. FINDINGS.** The legislature finds that after the Alaska State Pension Corporation has
6 been established and begun to manage the state pension funds, the state should develop a comprehensive
7 retirement organization. This organization should integrate the investment of pension funds with
8 retirement benefit administration responsibilities for all state related retirement systems, including the
9 Elected Public Officers Retirement System (former AS 39.37). Retirement benefit administration
10 responsibilities should be integrated into the corporation within two years after enactment of this
11 legislation.

12 * **Sec. 2.** AS 37.10 is amended by adding new sections to read:

13 **ARTICLE 5. ALASKA STATE PENSION CORPORATION.**

14 **Sec. 37.10.210. ALASKA STATE PENSION CORPORATION.** (a) There is established

1 the Alaska State Pension Corporation. The corporation is a public corporation in the Department
2 of Revenue managed by a board of trustees. The purpose of the corporation is to provide
3 professional management and investment of state pension funds and of other state funds upon
4 agreement with the managers of those funds.

5 (b) The board consists of seven trustees. Three of the trustees shall be elected by the
6 members of the retirement systems. Nominations may be made by the teachers' retirement board,
7 the public employees' retirement board, or by petition signed by at least 10 persons eligible to
8 vote in the election. One of the elected trustees must be an active member of one of the
9 retirement systems, one must be receiving a benefit from one of the retirement systems, and one
10 may be either an active member or receiving a benefit from one of the retirement systems. The
11 governor shall appoint two trustees from a list of nominees submitted by employers in the
12 retirement systems. The governor shall appoint one additional trustee from a list of nominees
13 submitted by the other six trustees. The commissioner of revenue serves as a trustee.

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

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

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

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

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

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

30 (i) Trustees shall participate in financial education training.

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

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

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

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

7 (4) report to the governor, the legislature, and employers participating in the
8 retirement systems by the first day of each regular legislative session concerning the investment
9 of funds for which the corporation is responsible including financial and investment policies
10 established by the board and enclose a summary of the most recent performance evaluations of
11 the funds managed by the corporation;

12 (5) contract with external performance evaluators to review the performance of
13 each fund for which the corporation is responsible and report each year on the fund's condition
14 to the board of trustees and to the other appropriate boards;

15 (6) engage independent certified public accountants to prepare an annual audit of
16 each of the funds for which the corporation is responsible and to report to the board with the
17 results of the audit.

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) provide for actuarial valuations of the retirement systems and other entities
25 whose funds the board manages;

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

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

1 (b) If a trustee, officer, or employee of the corporation acquires, owns, or controls an
2 interest, direct or indirect, in an entity or project in which assets under the control of the
3 corporation are invested, the trustee, officer, or employee shall immediately disclose the interest
4 to the board. The disclosure is a matter of public record and shall be included in the minutes
5 of the board meeting next following the disclosure. The board shall adopt regulations to restrict
6 trustees, officers, and employees from having a substantial interest in an entity or project in
7 which assets under the control of the corporation are invested.

8 (c) Failure to comply with the requirements of this section or regulations enacted under
9 it is grounds for termination of employment.

10 Sec. 37.10.240. REGULATIONS. The board may adopt regulations under the Admin-
11 istrative Procedure Act (AS 44.62) to implement AS 37.10.210 - 37.10.390.

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

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

26 (b) The board shall adopt regulations that restrict the executive director, investment
27 directors, other officers, and employees from having financial interest, directly or indirectly, in
28 firms or corporations that provide services to the corporation. Officers and employees of the
29 corporation are subject to AS 39.52.

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

1 (d) Officers and employees of the corporation are members of the exempt service under
2 AS 39.25.110.

3 (e) A deed, contract, or other document that must be executed by or on behalf of the
4 corporation shall be signed by the executive director.

5 Sec. 37.10.270. INVESTMENT ADVISORY COUNCIL. The board shall appoint an
6 investment advisory council composed of at least three and not more than five members.
7 Members of the council shall possess experience and expertise in financial investments and
8 portfolio management.

9 (b) Members of the council serve at the pleasure of the board for staggered terms of three
10 years.

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

14 (d) The council shall

15 (1) review the investments made by the board;

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

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

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

21 (e) With approval of the board, the council may contract with other state agencies to
22 provide investment advice.

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

29 Sec. 37.10.290. EXEMPTION FROM TAXATION. The corporation and all properties
30 at any time owned by it, managed by it, or held by it in trust, and the income from those
31 activities, are exempt from all taxes and assessments in the state. All security instruments issued

1 by the corporation and income from them are exempt from all taxes and assessments in the state,
2 including transfer taxes.

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

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

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

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

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

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

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

31 * Sec. 3. AS 06.05.025 is amended by adding a new subsection to read:

1 (d) At the request of the board of trustees of the Alaska State Pension Corporation or of
2 the legislative auditor, the department shall make an examination of the corporation under this
3 section.

4 * Sec. 4. AS 14.25.035(d) is amended to read:

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

10 * Sec. 5. AS 14.25.180 is amended to read:

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

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

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

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

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

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

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

28 * Sec. 6. AS 22.25.048(c) is amended to read:

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

1 AS 14.25.180.

2 * Sec. 7. AS 26.05.228(c) is amended to read:

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

6 * Sec. 8. AS 36.30.850(b)(15) is amended to read:

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

11 * Sec. 9. AS 36.30.990(1) is amended to read:

12 (1) "agency"

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

16 (B) does not include

17 (i) [, EXCEPT FOR] the University of Alaska;

18 (ii) [,] the Alaska State Housing Authority;

19 (iii) the [AND] Alaska Railroad Corporation;

20 (iv) the Alaska State Pension Corporation;

21 (v) [IT DOES NOT INCLUDE] a regional Native housing
22 authority created under AS 18.55.996; [,] or

23 (vi) a regional electrical authority created under
24 AS 18.57.020;

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, or
22 trust companies, by designation through appointments, contracts, or letters or authority;

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

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

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

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

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

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

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

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

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

25 (d) In exercising investment, custodial, or depository powers or duties under this section,
26 the fiduciary or the fiduciary's [COMMISSIONER OR A] designee [OF THE
27 COMMISSIONER] is liable for a breach of a duty that is assigned or delegated under this
28 section, or under AS 14.25.180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160,
29 37.14.170, or AS 39.35.080. However, the fiduciary or the [COMMISSIONER OR THE
30 COMMISSIONER'S] designee is not liable for a breach of a duty that has been delegated to
31 another person if the delegation is prudent under the applicable standard of prudence set out in

1 statute or if the duty is assigned by law to another person, except to the extent that the fiduciary
2 [COMMISSIONER] or designee

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

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

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

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

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

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

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

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

22 (B) each officer of the corporation; and

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

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

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

29 (G) Alaska State Pension Corporation;

30 * Sec. 12. AS 39.35.020 is amended to read:

31 Sec. 39.35.020. ADMINISTRATION. The commissioner of administration is responsible

1 for the administration of the system and for carrying out this chapter. In addition the
2 commissioner shall

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

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9 months after the close of each fiscal year, send to the governor, the legislature, and the board an
10 annual statement on the operations of the system containing

11 (A) a balance sheet;
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2 (52) Alaska State Pension Corporation (AS 37.10.210).

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

10 (3) register cattle brands;

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

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

15 * Sec. 16. TRANSITION. All litigation, hearings, investigations, and other proceedings pending
16 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,
17 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal
18 provided for in this Act. Orders and regulations issued or adopted under authority of a law amended
19 or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise
20 modified under the provisions of this Act. All contracts, rights, liabilities and obligations created by or
21 under a law amended or repealed by this Act, and in effect on the effective date of this Act, remain in
22 effect notwithstanding this Act's taking effect. Records, equipment, and other property of agencies of
23 the state whose functions are transferred under this Act shall be transferred commensurate with the
24 provisions of this Act.

25 * Sec. 17. ORGANIZATION OF TRUSTEES. (a) Notwithstanding AS 37.10.210(c), enacted by
26 sec. 2 of this Act, the initial terms of the members, other than the commissioner of revenue, of the board
27 of trustees of the Alaska State Pension Corporation shall be as follows:

28 (1) one elected member and one appointed member shall serve terms of four years;

29 (2) one elected member and one appointed member shall serve terms of two years;

30 (3) one elected member and one appointed member shall serve one-year terms.

31 (b) The board of trustees of the Alaska State Pension Corporation may hold organizational

1 meetings as soon as a quorum of the board has been appointed to or selected for the board.

2 * Sec. 18. AS 37.10.210 and 37.10.230 - 37.10.390, enacted by sec. 2 of this Act, and sec. 17 of this
3 Act take effect July 1, 1991.

4 * Sec. 19. Except as provided in sec. 18 of this Act, this Act takes effect on the earlier of July 1,
5 1992, or the date established by resolution of the board of trustees of the Alaska State Pension
6 Corporation for the transfer to it of securities and assets of the retirement funds. The board shall
7 promptly provide the revisor of statutes and the lieutenant governor with a copy of this resolution.

FISCAL NOTE

No. 1

Bill Version: CSHB 37(STA)

(H) Publish Date: 2/19/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____

Title: Alaska State Pension Corporation

Department Affected: Revenue

BRU: Alaska State Pension Corp.

Component: _____

Sponsor: Ulmer

Requestor: House 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
TOTAL OPERATING	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

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: 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 MB

Phone: 465-2350

Division: Treasury

Date: _____

Approved by Commissioner: 

Agency: Revenue

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

Rev 10/90

COMMITTEE COPY

Revision Date: _____

Department Affected: Revenue

Title: Alaska State Pension Corporation

BRU: Treasury

Component: _____

Sponsor: Ulmer

Component Serial No.

Requestor: House State Affairs

	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						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

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: 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 MB

Phone: 465-2350

Division: Treasury

Date: _____

Approved by Commissioner: 

Agency: Revenue

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

FISCAL NOTE

No. 3

Bill Version: CSHB 37(STA)

(H) Publish Date: 2/19/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____
Title: An Act Establishing the Alaska State Pension Corporation
Sponsor: Ulmer
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
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 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 H. Miller* Date: 1/28/91
Agency: Administration

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

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

February 22, 1991

TO: Rep. Mike Navarre, Co-Chair
Rep. Eileen MacLean, Co-Chair
House Finance Committee

FROM: Rep. Fran Ulmer

RE: HB 37, 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.

HB 37 represents the latest in several attempts over the past several years to give the state's retirement funds greater security. Today, I believe this legislation is especially prudent considering the volatile condition of our financial markets and the recent spate of investment scandals that have put pension funds of other states and organizations in considerable peril.

Today the state is responsible for over 4 billion dollars in retirement funds that are managed by a single person, the Commissioner of Revenue. This bill would place those funds under the guidance of the Alaska State Pension Corporation, its board of trustees and a professional advisory council. Additionally, I believe this corporation will strengthen our management of retirement funds by giving the members of these programs representation. In the future HB 37 may also lead to the integration of benefit administration with investment duties.

District 4B — Juneau

P.O. Box V • Juneau, Alaska 99811-3100 • (907) 465-4947



Recycled Paper

The Alaska State Pension Corporation

1) is a public corporation established to manage the PERS, TRS, SBS Judicial and Military retirement system funds and other state funds, upon agreement.

2) allows for beneficiary and employer representation through a 9 member board of trustees, composed of: 5 elected members, 2 seats nominated by employers and appointed by the governor, the Commissioner of Revenue and 1 appointed member nominated by the other 8 trustees.

3) provides for an Investment Advisory Council, composed of 3 to 5 professionals, that would recommend investment policies, assist in the selection of performance consultants and advise on the overall financial well being of the Corporation.

4) requires that all named fiduciaries adhere to the Prudent Investor Rule and that all applicable transactions follow the General Accepted Accounting Principals.

5) requires the board to employ and fix compensation for an executive director. The executive director may appoint employees. All are exempt from the personnel code.

6) provides for legislative, executive, member and employer oversight through reporting and through use of outside performance evaluators and auditors.

7) The following organizations have endorsed the concepts embodied in this legislation:

NEA - Alaska
Alaska Municipal League
Alaska State Employees Association
University of Alaska - Fairbanks
TRS Board Members
PERS Board Members
AARP - Alaska

Thank you for your prompt consideration of this important legislation. Please contact my office if you need any additional information.

a:hb37fin.mem

MEMORANDUM

February 20, 1991

TO: Rep. Mike Navarre, Co-chair
Rep. Eileen MacLean, Co-chair
House Finance Committee

FROM: Rep. Fran Wimer

RE: Sectional Analysis of HB 37.

The following is a sectional analysis of HB 37, 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.

SECTION 1/FINDINGS; Recommendation that the ASPC should integrate the investment of pension funds with retirement benefit administration responsibilities for all state related pension funds, including EPORS, when prudent.

SECTION 2; creates the Alaska State Pension Corporation.

Sec. 37.10.210 establishes the corporation as a public corporation. Subsection (b) sets out the nine voting trustees, four of which are elected by members of the retirement systems, one elected from the supplemental benefits system, two appointed by the governor from a list submitted by employers, one appointed by the governor after being nominated by the other eight trustees, and the commissioner or Revenue. Subsection (c) sets out staggered four year terms for trustees. Subsections (d) and (e) sets out removal or trustees and filling of vacancy. Subsection (f) (g) and (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 it is responsible for, submitting investment reports to the legislature, employers, appropriate boards, contracting for external audits, employers 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.

Sec. 37.10.230 sets out conflict of interest provisions for the fiduciaries and allows 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 compliance with the Open Meetings Law

Sec. 37.10.260 requires the boards 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 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 3 and not more than 5 members who must meet qualifications. Subsection (b) staggered three year terms. Subsection (c) allows the board to establish compensation for advisory board 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 permits banks to give sureties to the corporation or to enter collateral agreements on approved securities.

37.10.300 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 state fund under its own management.

Sec. 37.10.310 limits the states responsibility for liabilities of the corporation.

Sec. 37.10.390 defines board, corporation and retirement systems.

SECTION 3 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 4; substitutes the corporation for the Commissioner of Revenue in reporting on the condition of the teacher's retirement system (TRS) and requires the corporation to provides the TRS board with and annual external performance review of the trust fund.

SECTION 5; makes the corporation the fiduciary of the TRS fund in place of the Commissioner of Revenue.

SECTION 6; substitutes the corporation for the commissioner of revenue in management of the judicial retirement trust.

SECTION 7; substitutes the corporation for the Commissioner of Revenue in management and investment of the Alaska National Guard and Alaska Naval Militia retirement fund.

SECTIONS 8 AND 9; exempt the corporation from the procurement code but requires the board of trustees to adopt comparable procedures.

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 require accounting records to be kept in accordance with generally accepted accounting principles. Subsection (c) requires the fiduciary to exercise the Prudent Investor Rule. Subsection (e) requires the state to defend and indemnify the fiduciary if the fiduciary performed in good faith. 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; adds the investment and management of program receipts from Supplemental Benefits System (SBS) as a responsibility of the corporation.

SECTIONS 13 and 14; substitutes the corporation for the Commissioner of Revenue in the management and investment of public employee retirement fund (PERS).

SECTION 15; adds the members of the Alaska State Pension Corporation to coverage of the conflict of interest statutes.

SECTION 16; amends the duties of the Department of Revenue to reflect the changes made by the bill.

SECTION 17; is a transition section.

SECTION 18; sets out the initial terms of the board to hold organizational meetings as soon as the quorum has been appointed/elected.

SECTION 19; sets July 1, 1991 as the effective date for board organization.

SECTION 20; sets July 1, 1992, or a later date established by resolution of the trustees, as the effective date for the corporation to begin managing and investing assets.

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: *C. C. Hester*

DATE: 2.11.91

BY: *[Signature]*
Department of Revenue

DATE: 2-11-91

Alaska Municipal League

Policy Statement 1991

Adopted at the Business Meeting
of the 40th Anniversary Local Government Conference
of the
Alaska Municipal League
Anchorage, Alaska
November 16, 1990



retirement benefits. Additionally, in order to assist municipalities and the Legislature in evaluating changes to the retirement systems, fiscal notes accompanying such legislation should include an analysis of the fiscal impact on each of the participating municipalities.

2. Separate PERS/TRS Corporation: The League supports the establishment of a separate corporation for the management and investment of state trust funds, including the trust funds of the Public Employees' Retirement System and the Teachers' Retirement System, insofar as the board of the corporation includes representatives of trust beneficiaries and employers. The League urges that legislation establishing such a corporation include a provision that foreclosed real property held as assets by funds managed by the corporation be subject to municipal property taxes.

Alaskan municipalities make over half of all employer contributions to the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) and are directly affected by the performance of these funds because of the effect fund earnings have on employer contribution rates and, thus, on local tax rates. At present, both PERS and TRS funds are managed by the Department of Revenue, with the Commissioner of the Department as the sole fiduciary.

Creation of a separate corporation would give visibility to and strengthen the trust status of these trust funds. It would increase accountability, continuity, and public disclosure for the investment management of the funds by establishing a board of directors as fiduciary, incorporating professional investment managers and trust administrators, as well as representatives of beneficiaries, on the corporation's board, and providing for the exercise of fiduciary powers through the forum of regularly scheduled public meetings rather than administrative actions. A corporation would give management the authority to act in a timely manner and compete fully with other professional institutional investors. It would also allow the trust fund managers to have direct access to various Federal Reserve System services, increasing the security, earnings, and efficiency of trust fund investments and reducing the costs for intermediary custodian bank services.

In keeping with the League's general policy opposing exemption from taxation of foreclosed real property held as assets by state and federal agencies, the League supports inclusion of a provision making such assets held by the new corporation subject to municipal taxation.

E. GOVERNMENT MANDATES

The League urges passage of legislation that would require a government agency unilaterally transferring responsibility for a program to a municipality or imposing regulations on a municipality to reimburse the municipality for the costs of the transferred responsibility or regulations.

Resolution of the Alaska Municipal League

Resolution No. 91-8

A RESOLUTION SUPPORTING ESTABLISHMENT OF A CORPORATION TO MANAGE STATE TRUST FUNDS

WHEREAS, the Alaska Municipal League has reviewed and considered the establishment of a separate corporation for the management of state trust funds, including the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) trust funds, and

WHEREAS, PERS and TRS assets now total over \$4 billion and generate \$400 million or more of investment income annually, and

WHEREAS, the amount of income generated by PERS and TRS significantly affects employer contribution rates since employee contribution rates are fixed by statute, and

WHEREAS, Alaska municipalities make over half of all employer contributions to PERS and TRS, and

WHEREAS, PERS and TRS contribution rates have a direct impact on local tax rates, and

WHEREAS, the improvement in investment earnings that can be expected as a result of establishing a separate corporation would be of great importance to beneficiaries and employers as state petroleum revenues decline because an improvement of only 25 basis points (.025 percent) would be \$10 million, half of which would go to reduce municipal employer contributions, thus freeing up \$5 million for other municipal expenditures or permitting a .3 mill average reduction in property taxes for the typical Alaska municipality, and

WHEREAS, a separate corporation would give visibility to and strengthen the trust status of the PERS, TRS, and other trust funds, providing a corporate bulwark for the management of trust fund assets in the interests of beneficiaries and providing a clear mission to management in carrying out fiduciary responsibilities, and

WHEREAS, a separate corporation would increase accountability, continuity, and public disclosure for the investment management of the funds by:

1. establishing a board of directors in place of one person as fiduciary;
2. incorporating professional investment managers and trust administrators, as well as representatives of beneficiaries, on the corporation's board; and

3. providing for the exercise of fiduciary powers through the forum of regularly scheduled public meetings rather than administrative actions, and

WHEREAS, a corporate form would improve trust fund earnings by providing management the necessary authority to act in a timely manner and compete fully with other professional institutional investors in the dynamic world of financial markets, and

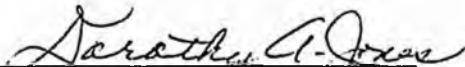
WHEREAS, a corporate form would meet Federal Reserve requirements for direct access to various Federal Reserve system services, including safekeeping and clearance of U.S. Treasury securities, wire transfers, and warrant redemption activities and direct access would significantly increase the security, earnings, and efficiency of trust fund investments and reduce the costs for intermediary custodian bank services;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League supports introduction, passage, and enactment into law of legislation that would provide for the establishment of a separate state corporation which would have, as its sole responsibility, the investment management of state trust funds and which would be governed by a board of directors that includes professionals in the field of investment management, representatives of trust beneficiaries, and employers.

BE IT FURTHER RESOLVED that the corporation should have the necessary independence and authority to fully realize its potential in managing investments, including the ability to determine its legal counsel, staff compensation, and procurement and administrative procedures and to access Federal Reserve services.

BE IT FURTHER RESOLVED that foreclosed real property held as assets by funds managed by the corporation should be subject to municipal property taxes.

Adopted this 16th day of November 1990 in Anchorage, Alaska.


Dorothy A. Jones, President

ATTEST:


Scott A. Burgess, Executive Director

Alaska State Pension Corporation (ASPC) 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
Elected Public Officers Retirement System*
(subject to annual appropriation)

ASPC Board of Trustees

5 Member Seats (Elected)
2 Employer Seats (Appointed)
1 Department Commissioner
1 Appointed Seat (Nominated by the 3 Trustees)

Investment
Advisory Council
3 - 5 Professionals

Executive Director

Chief Investment Officer

Investment Staff

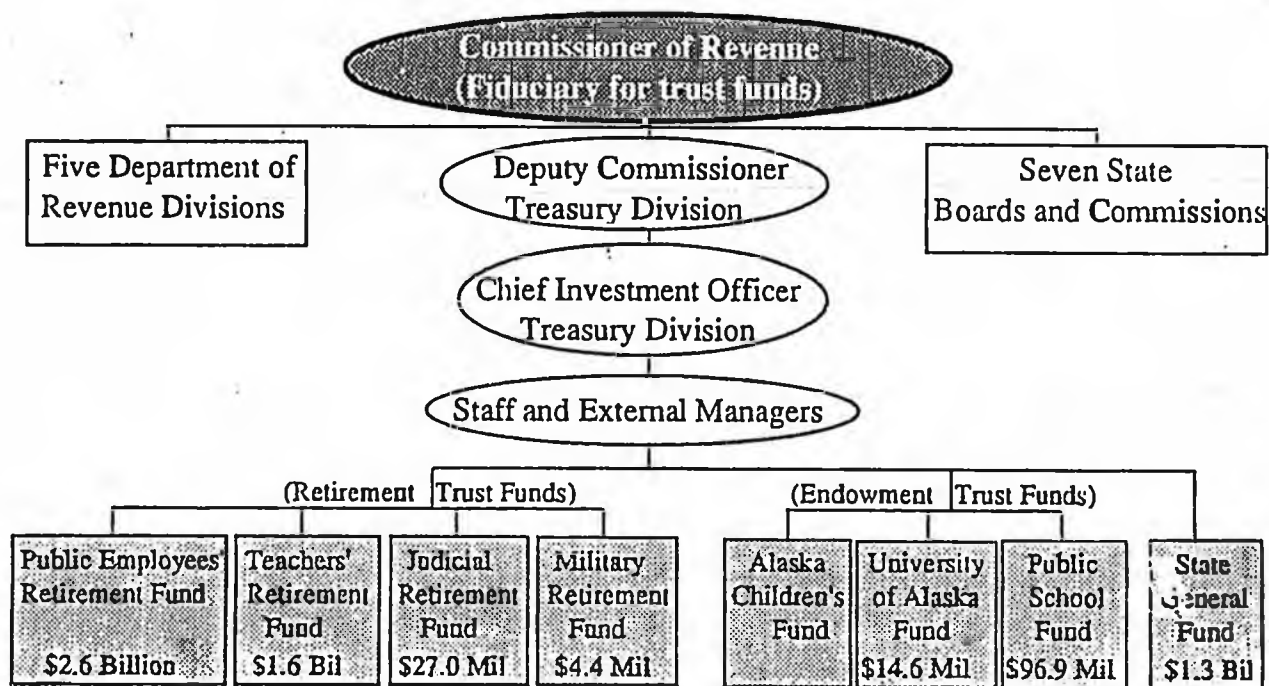
Chief Operations Officer*

Operations Staff*

* Once System is integrated to include retirement related operations. Active employee services would remain in Department of Administration

CURRENT LAW
(FIGURE 1)

INVESTMENT OF STATE FUNDS



ONLY 6 STATES STILL HAVE A SOLE INDIVIDUAL AS FIDUCIARY.

page-
m;

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 employes 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.

The UAF Staff Council approved the following at its Meeting #29 on December 7, 1990:

MOTION PASSED (unanimous approval)

The UAF Staff Council moves to endorse the following position paper regarding the PERS/TRS fund:

1. PERS funds should be managed and invested by a separate public corporation. This corporation should be developed for the specific purpose of managing the investment and benefit administration of public pension funds within the state of Alaska.
2. The Corporate Board of Trustees should have fiduciary responsibility for the PERS fund and any other public pension fund managed by the corporation.
3. The Board should be composed of: elected representatives of the beneficiaries of the various funds; the Commissioner of Revenue (nonvoting); and gubernatorial appointees from fund employers. There should be equal representation between employers and employees.
4. An Advisory Council of investment experts should be established by the Board. The purpose of the Council should be to provide information to the Board based on its cumulative expertise in investment matters.
5. The Board should be responsible for hiring an Executive Director for the corporation who in turn should hire his/her staff for administration of operational and investment matters.
6. Under no circumstances should the PERS funds be co-mingled with the Alaska Permanent Dividend Fund.

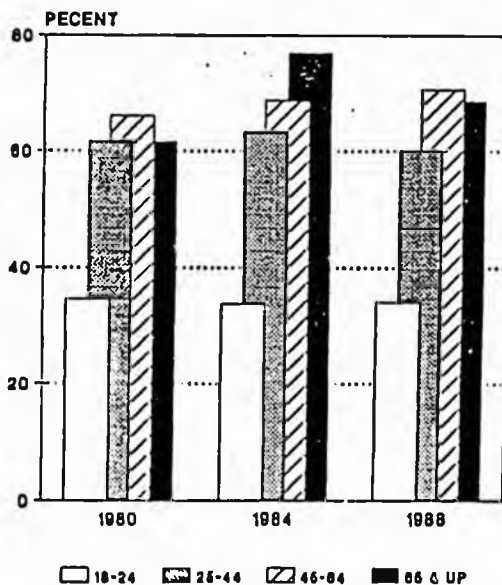
RATIONALE: PERS funds are currently managed by the Commissioner of Revenue, a gubernatorial appointee. This places the fund in possible jeopardy because of political pressure. Fiduciary responsibility for funds of this magnitude should not be placed in the hands of just one person. The management board for the PERS/TRS fund should be separate from the Permanent Fund

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



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

January 28, 1991

To: Representative Kubina, Chair
Members; House State Affairs Committee

Re: HB 37; *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.*

NEA-Alaska, representing members of both the TRS and PERS, supports the basic concepts contained in this legislation and commends the sponsor for this approach to the management of employee pension.

The transfer of this fiduciary responsibility from the Commissioner of Revenue to a public corporation will enhance constituent confidence in the integrity and security of their vested benefits.

We do have three (3) concerns which we wish to call to the attention of the Committee:

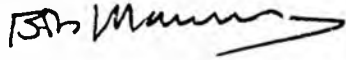
We recommend caution on the plan to assign, within two (2) years, responsibility for benefit administration to the ASPC. While it may be appropriate to have such a timeline as a goal it may also be wise to first attend to the management/investment responsibilities and defer the benefit administration to a later time. Both the TRS and the PERS currently have Boards with extensive benefit administration experience. Their present responsibilities in this area should continue for the time being.

We feel very strongly that the composition of the ASPC board of trustees must consist of a majority of members who are constituents of the retirement systems. Historically, both the TRS and the PERS have been administered by Boards comprised primarily of constituent members. The system has worked effectively and we feel that it should be continued. Members will have a greater level of confidence in a new investment/management system if a majority of the board members come from their constituency and that they be both active members and those now drawing benefits from the systems.

Another concern which may only need clarification pertains to the language in Section 2, page 6, lines 19-23, Sec. 37.10.320. On its surface, this language appears to possibly diminish rights guaranteed under Article 12, Section 7 of the Alaska Constitution. NEA-Alaska would obviously oppose such a change.

Thank you for your consideration of our position. We look forward to working with the Committee on this critical legislation.

Respectfully submitted,



Bob Manners
Executive Director



Don Oberg
President

cc: Representative Ulmer

HB 38

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

March 6, 1991

TO: Rep. Eileen MacLean, Co-chair
Rep. Mike Navarre, Co-chair
House Finance Committee

FROM: Rep. Fran Ulmer

RE: HB 38 and HB 39, Forward Funding for Education

HB 38 creates a "forward funding for education account" which would allow the state to fund public education one year in advance. Under the current conditions, school districts do not know what their funding levels will be until the legislature makes final budget decisions in the late spring. By that time, school districts have already passed their deadlines for planning the next year's programs and are either issuing lay-off notices or advertising for new positions. Those program and staffing decisions are being made without clear knowledge of the district's actual ability to obtain necessary funding.

HB 38 would redress this problem by allowing school districts to know state funding levels well in advance of their own budget preparation. Program and personnel decisions would enjoy the continuity and stability necessary for effective service delivery. There are multiple benefits for both municipal government and local school districts that result from being able to accomplish program planning with certainty regarding revenues.

HB 39 provides the funds necessary for forward funding by appropriating the balance of the general fund at the end of the fiscal year to the forward funding for education account. The general fund balance would be appropriated to the forward funding account each year until the total amount deposited reaches \$700 million. When that goal is reached, school districts would begin receiving education funding from the forward funding account for the fiscal year after the year in which the goal was reached. The legislature would continue to make annual appropriations for public education as part of the normal budget process but those education appropriations would be placed in the forward funding account for disbursement at the appropriate time. HB 39 provides for the repeal of general fund balance appropriation when the total amount of \$700 million has been deposited in the forward funding account.

District 4B — Juneau
P.O. Box V • Juneau, Alaska 99811-3100 • (907) 465-4947



-FISCAL NOTE

No. 1

Bill Version: HB 38

(H) Publish Date: 2/13/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Education

Title: Forward funding for education BRU: K-12 Support

Component: Foundation

Sponsor: Ulmer

Requestor: House HESS

COMPONENT SERIAL NO.

	1	4	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						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Mary Hakala Phone: 465-2800

Division: Commissioner's Office Date: 2/12/91

Approved by Commissioner: Steve Hole, Acting Commissioner

Agency: Education Date: 2/12/91

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

JUNEAU SCHOOL DISTRICT BOARD OF EDUCATION

RESOLUTION #12-89

A RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU SUPPORTING FORWARD FUNDING FOR PUBLIC EDUCATION.

WHEREAS, the right to a free education for every child has been universally recognized, and in Alaska is mandated by Article VII, Section 1 of the Alaska State Constitution; and

WHEREAS, education provides the opportunity for reaching personal fulfillment and economic self-sufficiency; and

WHEREAS, to fail to provide that opportunity penalizes not only the individual child, but also the society as a whole; and

WHEREAS, Federal revenues for education have become increasingly more unpredictable; and

WHEREAS, current state revenue has been unpredictable and future state oil revenues are projected to decrease with the gradual decline of Prudhoe Bay production, making State general fund support of public education more difficult and uncertain; and

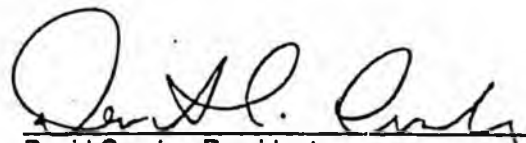
WHEREAS, dramatic swings in funding for education cause serious disruptions in the delivery of educational services to the great detriment of school age children in Juneau; and

WHEREAS, a fund which has been established from lapsed public school foundation and construction monies and money from the judicial decision on Dinkum Sands and North Slope royalty cases could provide critically important long-term, stable funding for public education in Alaska.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF EDUCATION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

1. That the Board of Education of the City and Borough of Juneau supports and endorses HB189 and HB190 creating a "forward fund" for public education in the State of Alaska.
2. That this resolution shall be effective March 21, 1989.

Adopted this 21st day of March, 1989


David Crosby, President

Attest:


Charlotte Richards, Clerk



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

February 11, 1991

To: **Representatives Carney and Lincoln, Co-Chairs
Members, House HESS Committee**

Re: **HB 38; "An Act relating to the forward funding for education account; providing for lapse of funds in the public school foundation account; and providing for an effective date."**

HB 39; "An Act making a special appropriation to the forward funding for education account; and providing for an effective date."

NEA-Alaska supports and strongly encourages your favorable consideration of HB 38 and HB 39.

With the high probability of a substantial surplus in the state operating budget at the end of the current fiscal year, now is the time to establish forward funding of public education in Alaska.

This potential is enhanced even more by the probability of favorable settlements in various litigation disputes over oil tax revenues.

Forward funding is a statement that public education is a real priority in Alaska. It is a statement by the Legislature of genuine concern for the future of this State.

With forward funding school district planning will be more effective. Continuity of essential programs and services will be enhanced. Students and their parents will be better able to anticipate and plan for their educational future. Employees will find more stability and opportunity in their employment relationships.

We strongly encourage that the Committee also give serious thought to incorporating some form of an "inflation proofing" mechanism as part of this legislation. Funding for public education must keep pace with the rising cost of living. If we can "inflation proof" the Permanent Fund, we can do it for public education as well.

Thank you for your consideration of our recommendations.

Respectfully submitted,

Bob Manners
Executive Director

Don Oberg
President

cc: **Representative Ulmer**

HOUSE BILL NO. 38**IN THE LEGISLATURE OF THE STATE OF ALASKA****SEVENTEENTH LEGISLATURE - FIRST SESSION****BY REPRESENTATIVES ULMER, Ellis, Bruckman, Carney, Koponen, B.Davis**

Introduced: 1/21/91

Referred: Health, Education and Social Services, Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to the forward funding for education account; providing for lapse of
2 funds in the public school foundation account; and providing for an effective date."

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

4 * Section 1. AS 14.07 is amended by adding a new section to read:

5 Sec. 14.07.065. FORWARD FUNDING FOR EDUCATION ACCOUNT. (a) The
6 forward funding for education account is established in the general fund. The account consists
7 of

8 (1) appropriations to the account for distribution in designated fiscal years to the
9 public school foundation account under AS 14.17, the school construction account under
10 AS 14.11.100, and elementary and secondary education programs; and

11 (2) undesignated funds lapsed from the public school foundation account, the
12 school construction account, and elementary and secondary education programs.

13 (b) The money in the account may only be distributed to the public school foundation
14 account, the school construction account, and elementary and secondary education programs in

1 the fiscal year for which the money was designated except that the legislature may reappropriate
2 undesignated funds in the account.

3 (c) The money in the account shall be transferred to the public school foundation
4 account, the school construction account, and elementary and secondary education programs on
5 the first day of the fiscal year for which the money was designated.

6 (d) Interest received on money in the account shall be accounted for separately and may
7 be appropriated into the account annually by the legislature.

8 (e) The unexpended and unobligated balances of appropriations for elementary and
9 secondary education programs lapse into the account as undesignated funds.

10 (f) In this section

11 (1) "account" means the forward funding for education account created under (a)
12 of this section unless the context otherwise requires;

13 (2) "elementary and secondary education programs" means the

14 (A) school district pupil transportation contract reimbursement program
15 under AS 14.09;

16 (B) tuition students program;

17 (C) boarding home grants program;

18 (D) youth in detention program; and

19 (E) schools for the handicapped program.

20 * Sec. 2. AS 14.11.100(d) is amended to read:

21 (d) Money in the school construction account which, at the end of the fiscal year for
22 which the money is appropriated, exceeds the amount required for the allocations authorized in
23 this section reverts to the forward funding for education account in the general fund as
24 undesignated funds.

25 * Sec. 3. AS 14.17.010(a) is amended to read:

26 (a) The public school foundation account is established. The account consists of money
27 transferred from the forward funding for education account under AS 14.07.065 and other
28 appropriations for distribution to school districts, the state boarding school, and for centralized
29 correspondence study programs under this chapter.

30 * Sec. 4. AS 14.17.010 is amended by adding new subsections to read:

31 (c) The unexpended and unobligated balance remaining in the account at the end of a

1 fiscal year lapses into the forward funding for education account as undesignated funds.

2 (d) In this section "account" means the public school foundation account created under

3 (a) of this section unless the context otherwise requires.

4 * Sec. 5. This Act takes effect July 1, 1991.

HB 39

HOUSE BILL NO. 39

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES ULMER, Ellis, Bruckman, Koponen, B.Davis

Introduced: 1/21/91

Referred: Health, Education and Social Services, Finance

Funding Information: General Fund \$700,000,000

Other Funds	-0-
	<u> </u>
	\$700,000,000

A BILL

FOR AN ACT ENTITLED

1 "An Act making a special appropriation to the forward funding for education account; and
2 providing for an effective date."

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

4 * Section 1. Section 20(b), ch. 209, SLA 1990, is amended to read:

5 (b) The amount of the "general fund balance available for appropriation" in the annual
6 financial report prepared by the Department of Administration under AS 37.05.210(2) for fiscal
7 year 1991 and each succeeding fiscal year, not to exceed a total of \$700,000,000, is
8 appropriated from the general fund to the forward funding for education account
9 (AS 14.07.065) [BUDGET RESERVE FUND (AS 37.05.540)].

10 * Sec. 2. The appropriation made by sec. 20, ch. 209, SLA 1990, as amended by sec. 1 of this Act,
11 is designated for the fiscal year after the fiscal year in which the total amount of \$700,000,000 has been
12 deposited in the forward funding for education account under sec. 1 of this Act.

13 * Sec. 3. Section 20, ch. 209, SLA 1990, as amended by sec. 1 of this Act, is repealed when the total
14 amount of \$700,000,000 has been deposited in the forward funding for education account under sec. 1

1 of this Act.

2 * Sec. 4. This Act takes effect on the effective date of an Act creating the forward funding for
3 education account that is passed by the Seventeenth Alaska State Legislature and enacted into law.

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

March 6, 1991

TO: Rep. Eileen MacLean, Co-chair
Rep. Mike Navarre, Co-chair
House Finance Committee

FROM: Rep. Fran Ulmer

RE: HB 38 and HB 39, Forward Funding for Education

HB 38 creates a "forward funding for education account" which would allow the state to fund public education one year in advance. Under the current conditions, school districts do not know what their funding levels will be until the legislature makes final budget decisions in the late spring. By that time, school districts have already passed their deadlines for planning the next year's programs and are either issuing lay-off notices or advertising for new positions. Those program and staffing decisions are being made without clear knowledge of the district's actual ability to obtain necessary funding.

HB 38 would redress this problem by allowing school districts to know state funding levels well in advance of their own budget preparation. Program and personnel decisions would enjoy the continuity and stability necessary for effective service delivery. There are multiple benefits for both municipal government and local school districts that result from being able to accomplish program planning with certainty regarding revenues.

HB 39 provides the funds necessary for forward funding by appropriating the balance of the general fund at the end of the fiscal year to the forward funding for education account. The general fund balance would be appropriated to the forward funding account each year until the total amount deposited reaches \$700 million. When that goal is reached, school districts would begin receiving education funding from the forward funding account for the fiscal year after the year in which the goal was reached. The legislature would continue to make annual appropriations for public education as part of the normal budget process but those education appropriations would be placed in the forward funding account for disbursement at the appropriate time. HB 39 provides for the repeal of general fund balance appropriation when the total amount of \$700 million has been deposited in the forward funding account.

District 4B — Juneau
P.O. Box V • Juneau, Alaska 99811-3100 • (907) 465-4947



Recycled Paper

JUNEAU SCHOOL DISTRICT BOARD OF EDUCATION

RESOLUTION #12-89

A RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU SUPPORTING FORWARD FUNDING FOR PUBLIC EDUCATION.

WHEREAS, the right to a free education for every child has been universally recognized, and in Alaska is mandated by Article VII, Section 1 of the Alaska State Constitution; and

WHEREAS, education provides the opportunity for reaching personal fulfillment and economic self-sufficiency; and

WHEREAS, to fail to provide that opportunity penalizes not only the individual child, but also the society as a whole; and

WHEREAS, Federal revenues for education have become increasingly more unpredictable; and

WHEREAS, current state revenue has been unpredictable and future state oil revenues are projected to decrease with the gradual decline of Prudhoe Bay production, making State general fund support of public education more difficult and uncertain; and

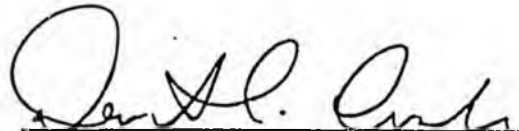
WHEREAS, dramatic swings in funding for education cause serious disruptions in the delivery of educational services to the great detriment of school age children in Juneau; and

WHEREAS, a fund which has been established from lapsed public school foundation and construction monies and money from the judicial decision on Dinkum Sands and North Slope royalty cases could provide critically important long-term, stable funding for public education in Alaska.

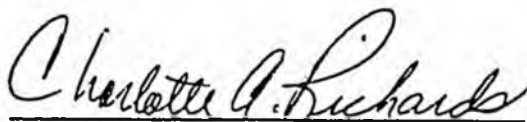
NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF EDUCATION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

1. That the Board of Education of the City and Borough of Juneau supports and endorses HB189 and HB190 creating a "forward fund" for public education in the State of Alaska.
2. That this resolution shall be effective March 21, 1989.

Adopted this 21st day of March, 1989


David Crosby, President

Attest:


Charlotte Richards, Clerk



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

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FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

February 11, 1991

To: **Representatives Carney and Lincoln, Co-Chairs**
Members, House HESS Committee

Re:

HB 38; "An Act relating to the forward funding for education account; providing for lapse of funds in the public school foundation account; and providing for an effective date."

HB 39; "An Act making a special appropriation to the forward funding for education account; and providing for an effective date."

NEA-Alaska supports and strongly encourages your favorable consideration of HB 38 and HB 39.

With the high probability of a substantial surplus in the state operating budget at the end of the current fiscal year, now is the time to establish forward funding of public education in Alaska.

This potential is enhanced even more by the probability of favorable settlements in various litigation disputes over oil tax revenues.

Forward funding is a statement that public education is a real priority in Alaska. It is a statement by the Legislature of genuine concern for the future of this State.

With forward funding school district planning will be more effective. Continuity of essential programs and services will be enhanced. Students and their parents will be better able to anticipate and plan for their educational future. Employees will find more stability and opportunity in their employment relationships.

We strongly encourage that the Committee also give serious thought to incorporating some form of an "inflation proofing" mechanism as part of this legislation. Funding for public education must keep pace with the rising cost of living. If we can "inflation proof" the Permanent Fund, we can do it for public education as well.

Thank you for your consideration of our recommendations.

Respectfully submitted,

Bob Manners
Executive Director

Don Oberg
President

cc: **Representative Ulmer**

HB 43

HOUSE COMMITTEE REPORT

(11)

Date Referred: May 1, 1991

FURTHER REFERRALS:

Date of Committee Action: 5-9-91

The FINANCE Committee considered:

HB 43

HOUSE BILL NO. 43

CHILD SUPPORT ARREARAGES

"An Act relating to the distribution of child support arrearages collected by the child support enforcement agency."

RECOMMENDATIONS:

be replaced with CS HB 43 (FIN) the same title a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact _____

fiscal note(s) REVENUE 5/1/91

zero fiscal note _____

zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Mike Avare</i>	X	<i>Eileen P. Machean</i>		X	
<i>Mike Avare</i>	✓	<i>Beth Sharp</i>	X		
		<i>without possible amend</i>			
<i>Jay Brown</i>	✓	<i>Patricia Bell</i>		✓	
<i>Mike Avare</i>	✓	<i>Tamara Barnes</i>		X	
		<i>Greg Staked</i>		X	

Mike Avare E P Machean
CHAIRMAN'S SIGNATURE

CS FOR HOUSE BILL NO. 43 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES ULMER, Brown, Carney, B.Davis

A BILL**FOR AN ACT ENTITLED**

1 "An Act relating to distribution of child support collected by the child support enforcement
2 agency; requiring certain employers to provide information to the agency; requiring the
3 Department of Health and Social Services to give notice of assignments to recipients of
4 aid to families with dependent children; and providing for an effective date."

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

6 * Section 1. AS 25.27.075 is repealed and reenacted to read:

7 Sec. 25.27.075. EMPLOYMENT INFORMATION. (a) Upon notice by the agency and
8 except as provided in (b) and (c) of this section, an employer doing business in the state shall
9 report to the agency the

10 (1) hiring of a person who resides or works in this state to whom the employer
11 anticipates paying earnings; and

12 (2) rehiring or return to work of an employee who was laid off, furloughed,
13 separated, granted a leave without pay, or terminated from employment.

14 (b) An employer is not required to report the hiring of a person who the employer

1 anticipates

2 (1) will be employed for less than one month's duration; or

3 (2) will be employed sporadically so that the employee will be paid for less than
4 350 hours during a continuous six-month period.

5 (c) An employer is not required to report under (a) of this section if the employer
6 employs fewer than 20 employees.

7 (d) An employer required to report under (a) of this section may make the report by
8 mailing the employee's copy of the W-4 form or by other means authorized by the agency that
9 will result in timely reporting.

10 (e) An employer required to report under (a) of this section shall submit reports within
11 seven days of hiring, rehiring, or return to work of an employee. The report must contain

12 (1) the employee's name, address, social security number, and date of birth; and

13 (2) the employer's name, address, and employment security reference number or
14 unified business identifier number.

15 (f) The agency shall retain the information received under (a), (d), and (e) of this section
16 for a particular employee only if the agency is responsible for establishing, enforcing, or
17 collecting a support obligation of the employee. If the employee does not owe a support
18 obligation, the agency may not create a record regarding the employee, and the information
19 contained in the notice shall be promptly destroyed.

20 (g) An employer of the obligor or a labor union of which an obligor is a member shall
21 provide to the agency information requested regarding the obligor's employment, wages or salary,
22 and location. The information required under this subsection is in addition to the information
23 required under (a) of this section, if any.

24 (h) In addition to civil liability under AS 25.27.260, if applicable, or any other law, an
25 employer of an obligor or a labor union of which an obligor is a member that knowingly violates
26 this section is liable for a civil penalty of not more than \$1,000.

27 * Sec. 2. AS 25.27.130 is amended by adding new subsections to read:

28 (d) Except as provided in (f) of this section, if the obligee is not receiving assistance
29 under AS 47.25.310 - 47.25.420 at the time the state recovers money in an action under this
30 section, the recovery of any amount for which the obligor is liable shall be distributed to the
31 obligee for support payments that have become due and unpaid since the termination of

1 assistance under AS 47.25.310 - 47.25.420 under a support order in favor of the obligee.

2 (e) After payment to the obligee under (d) of this section, the state may retain an amount
3 not to exceed the total unreimbursed assistance paid on behalf of the obligee under
4 AS 47.25.310 - 47.25.420.

5 (f) Notwithstanding (d) of this section, the state shall, if required under federal law or
6 regulations, distribute amounts recovered through offset of the obligor's federal tax refund as past
7 due support with first distribution to the state for unpaid support assigned to the state under
8 AS 47.25.345.

9 * Sec. 3. AS 47.25.340 is amended by adding a new subsection to read:

10 (b) During the application process, the department shall give to the applicant written
11 notice of the assignment of support rights that will be considered to have occurred under
12 AS 47.25.345. The notice must

13 (1) be plainly written;

14 (2) include a statement that informs the applicant that the assignment under
15 AS 47.25.345 includes an assignment of support rights that may have accrued during any time
16 that the family was not receiving assistance and that, under the assignment, the state may retain
17 support that it collects on behalf of the applicant to reimburse the state for assistance received
18 by the applicant during previous periods of assistance, if any.

19 * Sec. 4. This Act takes effect January 1, 1992.

FISCAL NOTE

No. 2

Bill Version CSHB 43(JUD)

(H) Publish Date: 5/1/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: April 26, 1991
Title: Act relating to distribution of
child support arrearages collected by the
CSEA
Sponsor: Representative Ulmer,
Requestor: House Judiciary

Department Affected: Department of Revenue
BRU: Social Services
Component: Child Support Enforcement

COMPONENT SERIAL NO. | 1 | 1 | 1 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	466.4	525.6	549.2	615.1	642.8	716.7
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	36.7	38.0	40.0	40.0	40.0	40.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	38.5	13.4	0	14.8	0	16.3
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	541.6	577.0	589.2	669.9	682.8	773.0
CAPITAL	0	0	0	0	0	0
REVENUE	(716.8)	(1608.9)	(1725.8)	(1771.6)	(1742.2)	(1742.2)

FUNDING: (Thousands of Dollars)

GENERAL FUND	184.2	196.2	200.3	227.8	232.2	262.8
FEDERAL FUNDS	357.4	380.8	388.9	442.1	450.6	510.2
OTHER	0	0	0	0	0	0
TOTAL	541.6	577.0	589.2	669.9	682.8	773.0

POSITIONS:

FULL-TIME	11	12	12	13	13	14
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: 0

ANALYSIS: See attached analysis.

Prepared By: Ardith Lynch *Ardith Lynch* Phone: 263-6277
Division: Child Support Enforcement Division Date: April 26, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher* Date: 4/29/91
Agency: Department of Revenue

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

ANALYSIS FOR FISCAL NOTE
HB 43
CHILD SUPPORT ENFORCEMENT DIVISION
PAGE 2 OF 3

This legislation reverses the current order of collection of child support arrearages in those cases where child support was unpaid before, during, and after a custodial relative's receipt of AFDC grants. These cases create two debts. Current policy is to collect the State's debt first. * This means that money owed to the State of Alaska from assigned support due (but unpaid) during a child's period of receipt of AFDC benefits, and other cost recoveries, is collected by CSED before it collects any unpaid support that accrues after a custodial relative leaves the AFDC rolls.

By reversing the priority of debt collected, paying any excess over current support due to the family for post-AFDC unpaid support before paying the State for assigned (AFDC) unpaid support, the State relinquishes (in the first year) \$1,961,000 in collections and \$462,500 in prepaid Federal Incentives that are remitted to the General Fund to help pay the State's AFDC General Fund match and finance the child support program.

However, child support collections and timely support payments to the family will increase if CSED receives prompt notification when an obligor becomes employed. Increased State revenues from collection of assigned support will result. Currently, CSED's match with records of the Department of Labor, Employment Security Division, serves as the primary means for identifying a delinquent parent's employer. By the time CSED receives the data, four to six months have elapsed. This time lag allows many obligors to delay enforcement of their child support, and permits obligors who work in seasonal employment to avoid payment of their child support. The employer reporting provisions of HB 43 will allow CSED to require companies who employ a large number of obligors to report new hires to CSED. Fewer than 100 companies employed 20 or more obligors in CSED's caseload during the last three years. Prompt notification to CSED will increase the agency's ability to collect support when the obligor parent is employed and earning regular wages.

This fiscal note reflects the lost revenues to the State from the change in arrearage payment priority, which are partially offset by revenues from increased child support collections based on employer reporting. Collection has been expanding at a rate between 12% and 15% a year. This fiscal note adjusts the rate of revenue loss accordingly in the four following fiscal

* When a support collection is made by CSED, Ongoing Support - the support obligation that is due in the current month - is always paid to custodial parents who are not receiving AFDC, before any arrearage payment is made.

ANALYSIS FOR FISCAL NOTE
HB 43
CHILD SUPPORT ENFORCEMENT DIVISION
PAGE 3 OF 3

years from FY92, and holds incentive losses constant. These revenues are reflected in future-year budgets as Program Receipts; their loss will require additional appropriations in the AFDC program and the Child Support Enforcement program.

The legislation will require increased operational staffing at CSED. To pay arrearages to the family first, CSED must greatly accelerate the rate at which subrogated debt calculations are completed. Presently, payments exceeding the current support due can be retained to the State until the accumulated amount nears the amount of the estimated subrogated debt. The legislation will necessitate a sub-debt calculation as soon as a child leaves the AFDC rolls, and each time the child leaves, in order to guarantee the correct distribution of debt between the State and the custodial relative. (A given child can go on and off the AFDC rolls, and can change custodial relationships, many times. Each of these movements, for each child, must be tracked before a correct sub-debt can be calculated.) CSED presently has one accounting technician assigned to calculate sub-debts; approximately 45 sub-debts can be researched and accurately completed each month. The number of sub-debts that will be required to be completed each month in FY 92 under the proposed legislation is 250. The Division has already automated the sub-debt process to the maximum degree possible. Additional staff will be essential to implementing the change. This fiscal note reflects the cost of additional accounting technicians who will be assigned full-time to sub-debt research and calculation: three in FY 92, increasing to four in FY 93 and FY 94, five in FY 95 and FY 96, and six in FY 97, to meet the estimated increase in CSED's caseload involving past public assistance payments. Each position in FY 92 will cost \$36,100, with associated equipment costs for computer terminals, telephones, and furniture for one person in FY 92 at \$12,800. Increases in equipment costs in the years after FY 92 are projected to increase at a rate of 5%.

The bill will also require additional personnel to enter reports from employers and issue appropriate withholding orders to collect child support. However, revenues from increased collections will exceed the personal services costs. (CSED receives 66% federal funding, in addition to federal incentive payments.) These positions will collect an additional three million dollars in child support in 1992. To minimize costs, these additional staff will utilize existing equipment in swing-shift arrangements. This fiscal note reflects five child support enforcement officers and three clerk positions, with a 3.75% shift differential. Increases in Personal Services costs in the outlying years beyond FY92 are projected at a conservative rate of 4.5 percent. In addition, the change in the debt priority will require CSED to forgo immediate collection of additional miscellaneous cost recoveries amounting to \$36,700 in FY 92 for expenditures such as blood-testing.

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

MEMORANDUM

May 4, 1991

TO: Rep. Mike Navarre, Co-chair
Rep. Eileen MacLean, Co-chair
House Finance Committee

FROM: Rep. Fran Ulmer

RE: CSHB 43, relating to child support arrearages

One of the responsibilities of the Child Support Enforcement Division of the Department of Revenue is to collect past due child support. When a custodial parent applies for public assistance, he or she must assign the rights to uncollected, past due support to the state for reimbursement of the assistance received. When the delinquent child support is collected, the state is reimbursed first for the assistance paid to the family. After the state is fully repaid, the balance of the past-due child support is paid to the family. [Note: Although the state is reimbursed for arrearages first, that reimbursement does not affect payment of current monthly child support to the family.]

The effect of CSHB 43 is to reverse this order of payment regarding arrearages. Under the bill, past-due child support will be paid **first to the family and secondly to the state** for reimbursement of assistance received by the family. The purpose of this change is to make this "family-first" priority a clear policy of the state and to ensure that child support is received when it is most needed. Under the current order of payment, families sometimes wait years for their share of past-due child support. In some cases, the children are grown and on their own by the time the delinquent payments are received--long after they were most needed by the family. CSHB 43 ensures that families will receive payments first.

In addition, the bill establishes the Employer Reporting System which requires employers to report the names of newly hired employees to the Child Support Enforcement Division. From this information, the division will be able to locate obligors with outstanding child support orders and initiate collection. A similar reporting system has been working well in the state of Washington for several years and has resulted in a dramatic increase in the amount of child support paid. CSHB 43 defines this program as follows:

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Who must report: Only those employers requested to report by CSED.

CSED states that **only large employers** who have typically employed obligors in the past will be asked to report such as the University Municipality of Anchorage, Carr's, H.C. Price, Westmark Hotels, etc.

Over 90% of all private sector employers will not be required to report because they employ 20 or fewer employees. It is not cost-effective for the state to require reporting from small businesses.

What will be reported: The name, address, and Social Security number of newly hired, permanent employees who will work more than 350 hours during a continuous 6 month period; and the employer's name, address, and employment security reference number.

What CSED will do with this information:

- 1) Match names with list of obligors having child support obligations.
- 2) Initiate collection of child support where appropriate.
- 3) Destroy employee report if no child support obligation exists.

What the result will be: Greatly increased collection of child support obligations.

Currently, CSED has 19,000 cases with child support orders; less than 3500 of those cases are current in their payments. The total amount of arrears outstanding at this time is \$203 million; \$96 million of that amount is associated with AFDC recipients. The employer reporting system will enable the state to locate obligors and collect child support.

What the financial impact on the state will be: This is a revenue producing program. CSED estimates that for every half-million dollars spent on collection, the state collects \$3 million in child support. Specifically, the employer reporting program is estimated to produce over \$1 million in revenue in FY 93. This is reflected on the fiscal note as a reduction in revenue lost to the state.

Passage of CSHB 43 will require additional personnel in the Child Support Enforcement Division to calculate the amounts of child support owed to both the family ("the obligee") and to the state. Clients tend to go on and off of public assistance over a period of months and years; each time a client returns to the public assistance rolls, the debts to the state and the family must be recalculated. In addition, payment of "families first" will result in some loss of revenue to the state in federal incentive payments and reimbursement of AFDC costs. Personnel will also be required to handle increased collections resulting from the Employer Reporting Program. The major part of these personnel costs are provided by federal funding.

HB 43 was recommended by the Family Support Task Force and is supported by the Alaska Family Support Group, Alaska Dads and Moms, and the Alaska Commission on Children and Youth.

CSHB 43, CHILD SUPPORT ARREARAGES

Sectional Analysis

Section 1. Employer reporting system.

- (a) Requires employers to report to the state employees hired or rehired;
- (b) Employers not required to report a person who will be employed for less than one month or will be paid for less than 350 hours during a continuous 6 month period;
- (c) Reports may be made by mailing a copy of the employee's W-4 form or by other means authorized by the state;
- (d) Reports must be submitted within 7 days of hiring and must contain:
 - (1) employee's name, address, social security number, and date of birth;
 - (2) employer's name, address, and employment security reference number of unified business identifier number.
- (e) The state shall retain employee information only if a child support obligation exists for that employee; all other information shall be destroyed.
- (f) Requires employers who have not been required to regularly report employee hiring to the state to provide information regarding an obligor's employment, wages, and location when it is requested.
- (g) An employer who knowingly fails to report requested information is liable for a civil penalty of not more than \$1000.

Section 2. Families First

- (d) Provides that past-due child support payments collected by the state shall be paid **first** to the custodial parent (the "obligee") and **secondly** to the state for reimbursement of public assistance paid to the family. This reverses the current order of payment.
- (e) After the past-due child support owed to the family has been paid, the state may retain past-due child support payments equal to the total amount of unreimbursed assistance.
- (f) The state shall pay past-due child support recovered through off-set of the obligor's federal tax refund **first** to the state for unreimbursed assistance and **secondly** to the family, as required by federal regulation.

Section 3. Providing information to AFDC applicants.

(b) Requires the state to clearly explain to AFDC applicants, in writing, that assignment of child support rights includes child support which accrued during periods the family was not receiving assistance and may be used to reimburse the state for assistance provided during previous periods.

Section 4: Effective date.

The act takes effect January 1, 1992.

4/28/91

Alaska State Legislature

HOUSE OF REPRESENTATIVES



REPRESENTATIVE FRAN ULMER

May 7, 1991

Jim Arnesen
1800 Shore Drive
Anchorage, Alaska 99515

Dear Mr. Arnesen:

Thank you for your Public Opinion Message regarding HB 43. As you may know, the original bill carried a large fiscal note which reflected both the cost of implementing the "families first" policy and the loss in federal funds which resulted from it. The fiscal note on the bill has been substantially improved by including the Employer Reporting Program in the bill, thus improving its chance of passage.

It is unfortunately true that the vast majority of child support orders handled by the Child Support Enforcement Agency are in arrears. In fact only 3500 cases, or 18% of the 19,000 cases on file, are current in their payments. The outstanding arrears amount to more than \$203 million; \$96 million of that is associated with AFDC cases. If we truly wish to pay "families first," then we must do a better job of collecting the support which is owed to the families.

Very, very few employers will be asked to participate in the Employer Reporting Program for the simple reason that most businesses in Alaska are too small to make the reporting cost effective. Over 90% of Alaska businesses employ fewer than 20 employees; none of these businesses will be asked to participate. Large employers such as the Municipality of Anchorage, the University, VECO, and Carr's will be asked to report. The Child Support Enforcement Agency has worked with some of these employers in the past on a voluntary basis and they have proven to be very cooperative.

In reply to your concern regarding discrimination against non-custodial applicants, a designated employer will be asked to report all new hires; there will be no distinction made between custodial and non-custodial employees.

The Employer Reporting Program will be a small but valuable part of the way employers are scheduled to participate in the collection of child support by the federal government. Mailing a duplicate copy of the employee's W-4 form will be adequate; in the past, CSEA has been able to

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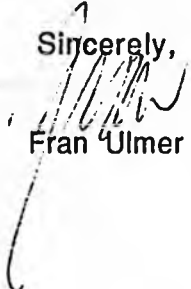


Recycled Paper

implement an electronic interface with the employer, an inexpensive way to handle personnel information. Regardless of whether the state adopts the Employer Reporting System, however, all Alaska employers will become key players in the collection of child support. Starting in 1994, as a result of federal laws enacted in 1988, all child support orders will be subject to mandatory withholding. Beginning next year, child support orders associated with AFDC cases will be subject to mandatory withholding. Reporting new hires to the state will be a small part of what employers are required to do.

The prospect of declining state revenues dictates the pursuit of every means of recovering monies which will enable families to remain financially independent. CSHB 43 does that by improving the collection of child support arrearages and paying those monies to the family first.

Sincerely,



Fran Ulmer

cc: House Finance Committee

WALTER J. HICKEL
GOVERNOR



P.O. Box A
Juneau, Alaska 99811
(907) 465-3155

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

ALASKA COMMISSION ON CHILDREN AND YOUTH

POSITION PAPER - HB 43

The Alaska Commission on Children and Youth is in full support of HB 43 which has been referred to as the "Pay Families First" bill. HB 43 reverses the order of payment regarding arrearages. Currently when a custodial parent applies for public assistance, he or she gives up their rights to past due child support to the State for reimbursement for the assistance paid to the family. HB 43 would ensure that families receive the past-due child support first, and the State would be reimbursed second.

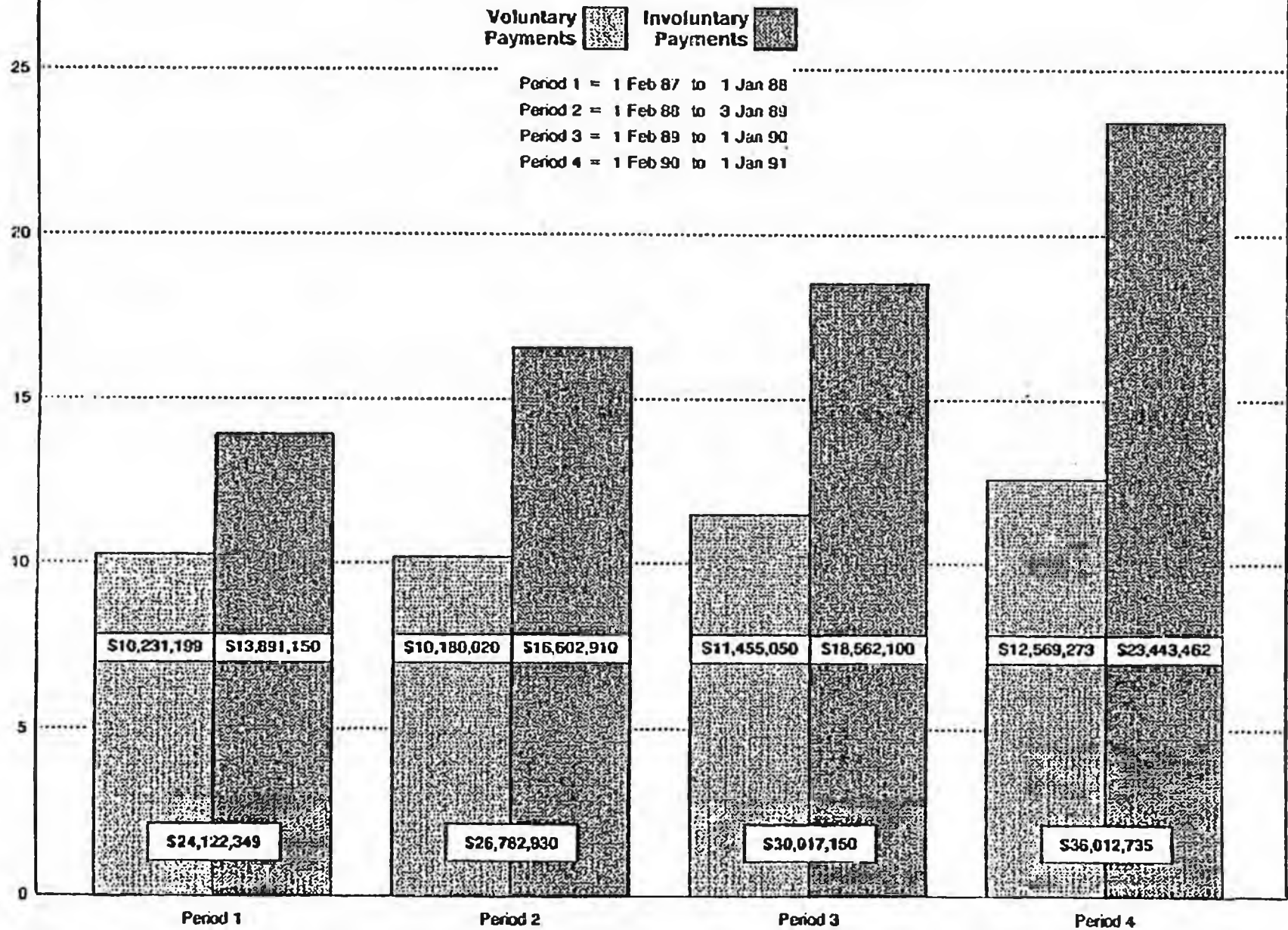
While the repayment of monies to the State seems more pressing in these days as the Budget is being calculated and reworked, every day a family in Alaska struggles to make a budget that is equally important to them. Many families are not afforded the privilege of juggling various sources of income. HB 43 gets the monies due families to the families first, where the link in the economic chain of the State is the most fragile.

We understand the results a change in policy will have on the State. It will cost money and require additional personnel. Still, what we see is the very real difference the "families first" priority payment will make to individual families. We are discussing child support, but under the current system, families sometimes wait years before they receive their share of past-due support and monies designated for children are not available when they are needed the most.

Some families are threatened by financial constraints and the decision to work to be independent and self-sufficient is weighed against the temptation to return to the welfare system. We believe that this "pay families first" legislation could help families maintain their self-respect and independence. We encourage your support of HB 43.

**Total Child Support Cash Collections
Aggregated - February 1, 1987 to January 1, 1991**

In millions of dollars.



Source of Data: Alaska Division of Child Support Enforcement. Monthly Management Summary. Cash Collection Details

HB 43

SENATE FINANCE COMMITTEE REPORT

DATE: 5/18/91

FURTHER:

DATE TURNED INTO OFFICE: 5-19-91

The Finance Committee considered CS FOR HOUSE BILL NO. 43 (FINANCE) am

"An Act relating to distribution of child support collected by the child support enforcement agency; requiring certain employers to provide information to the agency; requiring the Department of Health and Social Services to give notice of assignments to recipients of aid to families with dependent children; and providing for an effective date."

and recommended:

- replace with _____ CS _____
- or adopt _____ CS _____
- attached amendment(s)
- _____ letter of intent adopted
- same title
- new title
- technical title change (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

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

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:
 fiscal note(s) _____
DR 541.6

zero fiscal note(s) _____

SIGNING DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten signature] Do Pass

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

FISCAL NOTE

No. 2

Bill Version CSHB 43(JUD)

(H) Publish Date: 5/1/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

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Estimate of current year impact: 0

ANALYSIS: See attached analysis.

Prepared By: Ardith Lynch *Ardith Lynch* Phone: 263-6277
Division: Child Support Enforcement Division Date: April 26, 1991

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher*
Agency: Department of Revenue Date: 4/29/91

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

ANALYSIS FOR FISCAL NOTE
HB 43
CHILD SUPPORT ENFORCEMENT DIVISION
PAGE 2 OF 3

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ANALYSIS FOR FISCAL NOTE
HB 43
CHILD SUPPORT ENFORCEMENT DIVISION
PAGE 3 OF 3

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The bill will also require additional personnel to enter reports from employers and issue appropriate withholding orders to collect child support. However, revenues from increased collections will exceed the personal services costs. (CSED receives 66% federal funding, in addition to federal incentive payments.) These positions will collect an additional three million dollars in child support in 1992. To minimize costs, these additional staff will utilize existing equipment in swing-shift arrangements. This fiscal note reflects five child support enforcement officers and three clerk positions, with a 3.75% shift differential. Increases in Personal Services costs in the outlying years beyond FY92 are projected at a conservative rate of 4.5 percent. In addition, the change in the debt priority will require CSED to forgo immediate collection of additional miscellaneous cost recoveries amounting to \$36,700 in FY 92 for expenditures such as blood-testing.

CS FOR HOUSE BILL NO. 43 (FINANCE) am
 IN THE LEGISLATURE OF THE STATE OF ALASKA
 SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/15/91

Offered: 5/10/91

Referred: Rules

Sponsor(s): REPRESENTATIVES ULMER, Brown, Carney, B.Davis

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to distribution of child support collected by the child support enforcement
 2 agency; requiring certain employers to provide information to the agency; requiring the
 3 Department of Health and Social Services to give notice of assignments to recipients of
 4 aid to families with dependent children; and providing for an effective date."

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

6 * Section 1. AS 25.27.075 is repealed and reenacted to read:

7 Sec. 25.27.075. EMPLOYMENT INFORMATION. (a) Upon notice by the agency and
 8 except as provided in (b) and (c) of this section, an employer doing business in the state shall
 9 report to the agency the

10 (1) hiring of a person who resides or works in this state to whom the employer
 11 anticipates paying earnings; and

12 (2) rehiring or return to work of an employee who was laid off, furloughed,
 13 separated, granted a leave without pay, or terminated from employment.

14 (b) An employer is not required to report the hiring of a person who the employer

1 anticipates

2 (1) will be employed for less than one month's duration; or

3 (2) will be employed sporadically so that the employee will be paid for less than
4 350 hours during a continuous six-month period.

5 (c) An employer is not required to report under (a) of this section if the employer
6 employs fewer than 20 employees.

7 (d) An employer required to report under (a) of this section may make the report by
8 mailing the employee's copy of the W-4 form, transmitting magnetic tape in a compatible format,
9 or by other means as mutually agreed by the employer and the agency that will result in timely
10 reporting.

11 (e) An employer required to report under (a) of this section shall submit monthly reports
12 regarding each hiring, rehiring, or return to work of an employee during the preceding month.
13 The report must contain

14 (1) the employee's name, address, social security number, and date of birth; and

15 (2) the employer's name, address, and employment security reference number or
16 unified business identifier number.

17 (f) The agency shall retain the information received under (a), (d), and (e) of this section
18 for a particular employee only if the agency is responsible for establishing, enforcing, or
19 collecting a support obligation of the employee. If the employee does not owe a support
20 obligation, the agency may not create a record regarding the employee, and the information
21 contained in the notice shall be promptly destroyed.

22 (g) An employer of the obligor or a labor union of which an obligor is a member shall
23 provide to the agency information requested regarding the obligor's employment, wages or salary,
24 and location. The information required under this subsection is in addition to the information
25 required under (a) of this section, if any.

26 (h) In addition to civil liability under AS 25.27.260, if applicable, or any other law, an
27 employer of an obligor or a labor union of which an obligor is a member that knowingly violates
28 this section is liable for a civil penalty of not more than \$1,000.

29 (i) Employers required to report under this section, may charge \$1 per new employee to
30 cover the cost of reporting.

31 * Sec. 2. AS 25.27.075 is repealed and reenacted to read:

1 Sec. 25.27.075. EMPLOYMENT INFORMATION. (a) An employer of an obligor or a labor
2 union of which an obligor is a member shall provide to the agency information requested
3 regarding the obligor's employment, wages or salary, and location.

4 (b) An employer of an obligor or a labor union of which an obligor is a member that
5 knowingly violates this section is liable for a civil penalty of not more than \$1,000."

6 * Sec. 3. AS 25.27.130 is amended by adding new subsections to read:

7 (d) Except as provided in (f) of this section, if the obligee is not receiving assistance
8 under AS 47.25.310 - 47.25.420 at the time the state recovers money in an action under this
9 section, the recovery of any amount for which the obligor is liable shall be distributed to the
10 obligee for support payments that have become due and unpaid since the termination of
11 assistance under AS 47.25.310 - 47.25.420 under a support order in favor of the obligee.

12 (e) After payment to the obligee under (d) of this section, the state may retain an amount
13 not to exceed the total unreimbursed assistance paid on behalf of the obligee under
14 AS 47.25.310 - 47.25.420.

15 (f) Notwithstanding (d) of this section, the state shall, if required under federal law or
16 regulations, distribute amounts recovered through offset of the obligor's federal tax refund as past
17 due support with first distribution to the state for unpaid support assigned to the state under
18 AS 47.25.345.

19 * Sec. 4. AS 47.25.340 is amended by adding a new subsection to read:

20 (b) During the application process, the department shall give to the applicant written
21 notice of the assignment of support rights that will be considered to have occurred under
22 AS 47.25.345. The notice must

23 (1) be plainly written;

24 (2) include a statement that informs the applicant that the assignment under
25 AS 47.25.345 includes an assignment of support rights that may have accrued during any time
26 that the family was not receiving assistance and that, under the assignment, the state may retain
27 support that it collects on behalf of the applicant to reimburse the state for assistance received
28 by the applicant during previous periods of assistance, if any.

29 * Sec. 5. Section 2 of this Act takes effect January 1, 1995.

30 * Sec. 6. Except as provided in sec. 5, this Act takes effect January 1, 1992.