

Investments Related to Self-Directed Brokerage Accounts (AS 22.25.048)

2 AAC 37 is amended by adding a new section to read:

2 AAC 37.300 Self-Directed Brokerage Investments. The administrator may offer participants in the Alaska Judicial Retirement System (JRS) a self-directed brokerage investment option for the selection of individual investments as offered by the custodian. The administrator may establish the program structure, limits, and maximums on the investments in this option, as set forth in the investment policy or by the custodian. The administrator has no responsibility to review the investments available in this option or to determine the appropriate investment choices for participants selecting this option. The Board further has no responsibility to determine if the selection of the self-directed brokerage option is appropriate for any specific participant. The self-directed brokerage option is designed for investors who acknowledge and accept the risk of loss for participating in the self-directed brokerage option. Any participant selecting this option will be required to sign an election form containing at least the following:

(1) That the participant understands and accepts any and all risks associated with this selection,

(2) That the participant understands and accepts that none of the investments available in the self-directed brokerage option have been reviewed for suitability or endorsed by the administrator,

(3) That the participant is solely responsible for determining the suitability or appropriateness of any selected investment,

(4) That the participant agrees to hold the Plan and the ARMB harmless against any claims, damages or other causes of actions which may arise as a result of any negative consequences resulting from use of the self-directed brokerage option, and

(5) That participation in the self-directed brokerage option does not result in a vested benefit in the corpus, gains, or losses; and the performance of the investments is not an accrued benefit under the Alaska State Constitution, Article 12, Section 7.

Authority: AS 22.25.027

2 AAC 37.305 Self-Directed Brokerage Participation. In addition to investment of individual accounts under AS 22.25.048, the self-directed brokerage account participation rules for the participants are the following:

(1) Participants establish a self-directed brokerage account by completing and submitting a self-directed brokerage account application.

(2) Participants acknowledge that use of brokerage account is subject to the terms and conditions contained in the self-directed brokerage account application and separately agreed to by the participant with the self-directed brokerage account.

(3) Participants may be required to maintain a specific amount or a specific percentage of Plan investments, as described in the application, in their Plan Account as a condition of using their brokerage account.

(4) Participants may be required to provide a minimum initial transfer amount and minimum subsequent transfers as described in the application.

(5) Participants may not make contributions directly from their payroll into the self-directed brokerage account.

(6) Fund transfers for the purposes of AS 22.25.048 include transferring funds into a brokerage account but, does not include any disposition of the funds after they are included in the account.

(7) Transfers into the brokerage account will occur at the time and with the frequency set by the Custodian for the purposes of value conversion.

Authority: AS 22.25.048

2 AAC 37.310 Tax Consequences. The participant is solely responsible for all tax consequences resulting from participation in a self-directed brokerage account.

Authority: AS 22.25.048

2 AAC 37.315 Valuation of Accounts. The custodian shall value the investments each business day. On each valuation date, there shall be allocated to the accounts of each participant the proportionate share of the increase or decrease in the fair market value of the participant's accounts in each of the investments, based on the beginning balance of such accounts for such day. The custodian for the plan may determine the increase or decrease in the fair market value of the participant's account in each of the investments on a cash, share or unit accounting basis. Whenever an event requires a determination of the value of the participant's accounts, the value shall be computed as of a valuation date coincident with or following the date of the event. The custodian shall be the final authority on the value of a participant's account. These daily valuation records shall be maintained by the custodian for a period of one year. Thereafter, account information will be available on a quarter-end basis as provided by the custodian.

Authority: AS 22.25.048

2 AAC 37.320 No Third-Party Trading/Investing. Participants are not allowed to delegate trading or investing authority to any third party or investment adviser.

Authority: AS 22.25.048

2 AAC 37.255 is amended by adding a new subsection that reads:

(d) In this chapter, “custodian” means the third party engaged by the administrator to manage retirement funds on behalf of the administrator.

AUTHORITY: AS 22.25.027