Introduced: 2/13/84
Referred: State Affairs and Finance

1 IN THE HOUSE

BY MALONE, GOLL AND KOPONEN

2 HOUSE BILL NO. 675

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing an annuity program; amending the
7 longevity bonus program and the permanent fund divi-
8 dend distribution program; and providing for an
9 effective date."

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

11 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
12 that

13 (1) the high cost of goods and services in Alaska and the
14 state's remoteness and harsh environment make it difficult for many elderly
15 Alaskans to remain in the state after retirement;

16 (2) when a person is forced to live in retirement away from
17 home, family and friends, that person suffers an irreparable loss;

18 (3) Alaska's elderly are a precious human resource, and it is in
19 the public interest to provide a financial incentive for them to remain in
20 the state after retirement;

21 (4) as oil revenues decrease, it will become increasingly diffi-
22 cult for the legislature to fund the longevity bonus program through annual
23 appropriations;

24 (5) state residents who elect to be credited with retirement
25 annuity benefits rather than to receive a permanent fund dividend in cash
26 will build their own retirement program using their own permanent fund
27 dividends; this will promote wise stewardship of the permanent fund and
28 will encourage individuals who choose to earn retirement benefits to remain
29 in Alaska after retirement; and by providing the financial means necessary

1 to do so; and

2 (6) it is in the public interest to continue a program similar
3 to the longevity bonus program for all elderly Alaskans irrespective of
4 need; an annuity program would not be a form of welfare, and would not be a
5 substitute for or supplement to public assistance; other programs are
6 available to provide the basic necessities of life; an annuity program is
7 intended to encourage elderly Alaskans to spend their retirement years in
8 the comfort of their homes.

9 * Sec. 2. AS 43.23.005 is amended by adding a new subsection to read:

10 (d) Except as provided in AS 43.23.115(a), a person who is
11 eligible to receive a permanent fund dividend under this section may
12 elect to receive an annuity share in lieu of a cash dividend.

13 * Sec. 3. AS 43.23.015 is amended by adding a new subsection to read:

14 (i) The permanent fund dividend application form shall be pre-
15 pared to allow an applicant to elect to receive an annuity share in
16 lieu of a cash dividend.

17 * Sec. 4. AS 43.23.025 is amended to read:

18 Sec. 43.23.025. AMOUNT OF DIVIDEND. By October [DECEMBER] 1 of
19 each year the commissioner shall give public notice of the value of
20 each permanent fund dividend for that year. The commissioner shall
21 determine the value of a permanent fund dividend by

22 (1) determining the amount of income of the Alaska perma-
23 nent fund transferred to the dividend fund under AS 43.23.045(b)
24 during the current year;

25 (2) determining the number of individuals eligible to
26 receive a dividend payment for the current year; and

27 (3) dividing the amount determined in (1) of this section
28 by the amount determined in (2) of this section.

29 * Sec. 5. AS 43.23.055 is amended to read:

1 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall
2 (1) annually pay permanent fund dividends from the dividend
3 fund;
4 (2) adopt regulations under the Administrative Procedure
5 Act (AS 44.62) that establish procedures and time limits for claiming
6 a permanent fund dividend; the department shall set the time limit for
7 applications for permanent fund dividends so that the number of eligi-
8 ble applicants is determined by October [DECEMBER] 1 of the year for
9 which the dividend is declared and permanent fund dividends for a year
10 are paid before April 30 of the year following that year;
11 (3) adopt regulations under the Administrative Procedure
12 Act (AS 44.62) that establish procedures and time limits for an indi-
13 vidual upon emancipation or upon reaching majority to apply for perma-
14 nent fund dividends not received during minority because the parent,
15 guardian, or other authorized representative did not apply on behalf
16 of the individual; [AND]
17 (4) assist residents of the state, particularly in rural
18 areas, who because of language, disability, or inaccessibility to
19 public transportation need assistance to establish eligibility and to
20 apply for permanent fund dividends;
21 (5) annually transfer money that has been designated for
22 annuity shares by individuals who are eligible for a permanent fund
23 dividend under this chapter from the dividend fund to the annuity fund
24 (AS 43.23.110);
25 (6) maintain records of annuity shares for individuals for
26 the purpose of determining annuity payment amounts under AS 43.23.115;
27 and
28 (7) adopt regulations that, to the extent allowable under
29 federal law, structure the annuity program under AS 43.23.110 -

1 43.23.120 so that an annuity benefit is not taxable to an individual
2 until it is actually received by that individual.
3 * Sec. 6. AS 43.23 is amended by adding new sections to read:
4 ARTICLE 2. ANNUITY PROGRAM.
5 Sec. 43.23.110. ANNUITY FUND. (a) The annuity fund is estab-
6 lished as a separate fund in the state treasury. The annuity fund
7 shall be administered by the commissioner and shall be invested by the
8 commissioner in the same manner as provided in AS 37.10.070.
9 (b) The annuity fund consists of money transferred to the annu-
10 ity fund under AS 43.23.055(5) and appropriations made to the annuity
11 fund by the legislature.
12 (c) The legislature may annually appropriate to the annuity fund
13 an amount equal to the amount transferred to the fund under AS 43.23.-
14 055(5).
15 (d) Money in the annuity fund shall be used to pay annuities to
16 eligible individuals under AS 43.23.120 and to pay refunds under
17 AS 43.23.120(c).
18 Sec. 43.23.115. ANNUITY SHARES. (a) An individual may not hold
19 more than 15 annuity shares.
20 (b) Notwithstanding AS 43.23.005(d) an individual who is 65
21 years of age or older and who is eligible to receive a permanent fund
22 dividend may elect to receive both an annuity share and a reduced
23 permanent fund dividend in each year beginning in 1985 and ending in
24 1989. A permanent fund dividend paid under this subsection shall be
25 reduced by $100. An amount equal to the total of permanent fund divi-
26 dend reductions for a year under this section shall be transferred
27 from the dividend fund to the annuity fund.
28 (c) An individual who is not eligible for a permanent fund
29 dividend in a year when an annuity share is available and who subse-

1 quently becomes eligible to receive a dividend may purchase an annuity
2 share for each of the two immediately preceding years if shares were
3 available in those years. To purchase a share under this subsection
4 an individual shall pay the department the amount of the dividend for
5 the previous year including interest, plus an amount equal to any
6 appropriation made by the state under AS 43.23.110(c) for the year for
7 which the share is purchased, divided by the number of annuity shares
8 issued in that year. Money received by the department under this
9 subsection shall be transferred into the general fund, subject to
10 appropriation by the legislature to the annuity fund.
11 (d) An annuity share may not be assigned, sold, or otherwise
12 transferred from one individual to another. An annuity share held by
13 an individual is cancelled upon the death of that individual and does
14 not pass to the individual's estate. The right to receive an annuity
15 under AS 43.23.120 terminates upon the death of the person who is
16 eligible for the annuity.
17 Sec. 44.23.120. PAYMENT OF ANNUITIES. (a) An individual who
18 holds five or more annuity shares may receive an annuity upon reaching
19 the age of 65.
20 (b) An annuity under this section is a monthly payment during
21 the life of the annuitant equal to $16.50 multiplied by the number of
22 annuity shares held by the individual.
23 (c) An individual must be a resident of the state to be eligible
24 to receive an annuity. An individual who holds one or more annuity
25 shares and who is not a resident of the state may request and receive
26 a refund of contributions to the annuity fund plus accrued interest
27 upon reaching the age of 65 by filing a written application for a
28 refund with the department. If an individual requesting a refund
29 under this subsection has received annuity payments, the total amount

1 of those payments shall be deducted from the amount of the refund. An
2 individual who receives a refund under this subsection and subsequent-
3 ly becomes a resident of the state may not repurchase the annuity
4 shares for which a refund has been received but may purchase addition-
5 al annuity shares under AS 44.23.115(c).
6 (d) An individual does not receive a vested property right in an
7 annuity payment until that payment is made. Notwithstanding the
8 provisions of this section the state is not obligated to provide
9 annuity payments for annuity shares granted under AS 43.23.005.
10 (e) Notwithstanding (a) of this section, until 1991 an indi-
11 vidual who is 65 years of age or older and who holds one or more
12 annuity shares may receive an annuity based on the number of shares
13 held by that individual.
14 * Sec. 7. AS 47.45.010 is amended to read:
15 Sec. 47.45.010. PERSONS WHO MAY QUALIFY FOR LONGEVITY BONUS.
16 (a) A person who is 65 years of age or over, who <u>resides in the state</u>
17 <u>for at least one year immediately preceding the application for a</u>
18 <u>longevity bonus under this chapter</u> [WAS DOMICILED IN THE TERRITORY ON
19 OR BEFORE JANUARY 3, 1959 AND WHO HAS MAINTAINED A CONTINUOUS DOMICILE
20 IN THE TERRITORY OR STATE FOR 25 YEARS] may apply to the commissioner
21 of administration for qualification to receive a monthly bonus of
22 $250.
23 (b) When the commissioner of administration determines that an
24 applicant qualifies under AS 47.45 <u>the commissioner</u> [HE] shall immedi-
25 ately begin payment of the bonus.
26 (c) A person who otherwise qualifies to receive a bonus provided
27 for in AS 47.45 may continue to do so only as long as <u>that person</u>
28 <u>continues to be a resident of</u> [HE CONTINUOUSLY RETAINS A DOMICILE IN]
29 the state.

1 (d) Notwithstanding (a) of this section, on January 1, 1986, the
2 amount of a monthly bonus shall be reduced by $16.50. On January 1 of
3 each succeeding year the amount of a monthly bonus shall be reduced by
4 an additional $16.50.
5 * Sec. 8. AS 47.45.030 is amended to read:
6 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification a
7 [A] recipient shall notify the commissioner of administration when the
8 recipient [HE] expects to be absent from the state if the absence is
9 for a continuous period that exceeds 30 days. After that notifica-
10 tion, the recipient shall no longer receive bonuses from the Depart-
11 ment of Administration after the [HIS] last regularly approved monthly
12 application. Upon returning [HIS RETURN] to the state the recipient
13 [HE] may again make application for a bonus. Whenever the absence is
14 for a continuous period that exceeds 180 days the recipient shall be
15 disqualified from receiving bonuses for the next 12 calendar months
16 after returning [HIS RETURN] to the state. However, when the commis-
17 sioner of administration determines a period of absence is beyond the
18 control of the recipient, the recipient [HE] may not be disqualified,
19 if the recipient [HE] still otherwise qualifies upon returning [HIS
20 RETURN] to the state. Continual absences from the state, even though
21 reported, and failure to notify the commissioner of an expected ab-
22 sence may be grounds for disqualification.
23 * Sec. 9. AS 47.45.150 is amended to read:
24 Sec. 47.45.150. DEFINITIONS. In this chapter
25 (1) "bonus" means a monthly Alaska longevity bonus payment
26 made to a person or the person's [HIS] beneficiary who qualifies under
27 this chapter;
28 (2) "resident" or "resident of the state" means an individ-
29 ual who is physically present in the state with the intent to remain

1 in the state indefinitely and to make a home in the state; a person
2 demonstrates the requisite intent by maintaining a principal place of
3 abode in the state for one year and by providing other proof of intent
4 the commissioner may require by regulation, including proof that the
5 person is not claiming residency outside the state or obtaining bene-
6 fits under a claim of residency outside the state ["DOMICILE" MEANS
7 THE PLACE WITH WHICH A PERSON HAS A SETTLED CONNECTION FOR DETERMINA-
8 TION OF HIS CIVIL STATUS OR OTHER LEGAL PURPOSES BECAUSE IT IS ACTUAL-
9 LY OR LEGALLY HIS PERMANENT AND PRINCIPAL HOME].
10 * Sec. 10. Section 2, ch. 205, SLA 1972, and AS 47.45.170 are repealed.
11 * Sec. 11. AS 47.45 is repealed.
12 * Sec. 12. This Act applies only to permanent fund dividends for years
13 after 1984.
14 * Sec. 13. Sections 7 and 9 of this Act are retroactive to July 1,
15 1982.
16 * Sec. 14. Section 11 of this Act takes effect January 1, 2000.
17 * Sec. 15. Sections 1 - 10, 12 and 13 of this Act take effect immedi-
18 ately in accordance with AS 01.10.070(c).