

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

3/22/85

Date: 3-27-85

The Committee on FINANCE has had CS 56 (Fin)
"An Act relating to a longevity bonus; and providing for an effective
date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CS 56 (Fin) same title
 new title
- and recommends dispose
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

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MEMBERS HAVING
OTHER RECOMMENDATIONS:

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 CHAIRMAN

SECTIONAL ANALYSIS OF HCS CS SB 56 (FIN)

Section 1. This is the findings and purpose section. It articulates why the legislature is phasing out the program.

Section 2. This section phases out the program. Only those individuals who turn 65 by July of 1986 will be eligible for a monthly bonus for the rest of their lives.

Section 3. Under current law, a bonus recipient can be Outside for 6 months without losing eligibility for the bonus for the next year. This section would only allow the recipient to be Outside for 3 months without losing eligibility.

Section 4. This section disqualifies those who reside in nursing homes, nursing wings of Pioneer homes, and mental health facilities from receiving a longevity bonus. This is because they will lose their medicaid eligibility if they continue to receive a bonus and the amount that medicaid pays for their care far exceeds the \$3,000 in annual bonus income. (Please refer to letter of intent for further details.)

Section 5. This section "holds harmless" those bonus recipients who would otherwise lose their medicaid, SSI, and OAA benefits because the federal government now considers the bonus as a prior resource when determining eligibility for these programs. (Please refer to letter of intent for further details.)

Section 6. This section repeals the July 1, 1985 termination date of the current longevity bonus program.

Sections 7 and 8. These sections make all of the bill go into effect on July 1, 1985 except for section 6 which goes into effect immediately.

HOUSE JOURNAL

HOUSE FINANCE COMMITTEE
LETTER OF INTENT
FOR
H CS CS SB 56 (FINANCE)

HCS CS SB 56 (FIN) phases out the longevity bonus program in a fair and just manner by insuring that today's seniors in their sixties will receive a monthly longevity bonus for the rest of their lives regardless of need. The bill does, however, address the income of these seniors who are eligible for public assistance.

Because the federal government has indicated that the longevity bonus will be considered a prior resource when determining eligibility for medicaid and supplemental security income (SSI), many of Alaska's poorest seniors who qualify for the bonus will lose their medicaid and SSI benefits. Also, because the state funded Old Age Assistance (OAA) program must follow the federal ruling, these same seniors will lose their OAA benefits as well. This bill will hold the affected seniors harmless from this federal ruling by authorizing the state to pay those medicaid, SSI and OAA benefits that the federal government no longer allows, with one exception. Instead of paying the federal portion of medicaid for eligible nursing home residents, these individuals are prohibited from receiving a bonus. This is because the federal portion of their medicaid benefits far outweigh the \$3,000 in annual bonus income and because the cost to the state of paying both the bonus and the federal medicaid portion of their nursing home care is prohibitive. Nursing home care in Alaska averages \$140 per day.

The legislature recognizes that the federal government may consider the bonus as a prior resource for other programs for which eligibility requirements are controlled at the federal level. Therefore, it is the intent of the legislature that the House and Senate Health, Education & Social Services Committees conduct a joint review of the relationship between eligibility for a longevity bonus and eligibility for federal assistance programs and report back to the legislature next session. The review should consider, but is not limited to, the following items: (1) an inventory of programs for which receipt of the bonus will change eligibility for the federal program, (2) the cost of holding bonus recipients harmless for each program, (3) how best to administer hold harmless programs; (4) how an individual would fare under each program if the individual were made ineligible for a bonus, (5) proposals for legislative action, and (6) the federal reaction to any proposed legislative actions. In conducting the review, the Committees should work closely with the House and Senate Finance Committees and the affected state agencies.



Al Adams, Chairman
House Finance Committee

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 56 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a longevity bonus; and providing
7 for an effective date."

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

9 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that

11 (1) the state is committed to the elderly and has been since
12 territorial days, as evidenced by the many programs benefiting the elderly,
13 including the Alaska longevity bonus program; the Alaska Supreme Court in
14 Schafer v. Vest, however, struck down the original longevity bonus program,
15 thus requiring action by the legislature; as a result, the program is now
16 open to an ever-increasing number of recipients, placing an ever-expanding
17 burden on the general fund;

18 (2) projections of declining oil revenue, combined with an
19 increasing senior citizen population, make it clear that the longevity
20 bonus program will be increasingly difficult to fund and it must be
21 amended;

22 (3) the state still desires to recognize the achievements of
23 Alaska's elderly, who served Alaska prior to statehood; thus, the legisla-
24 ture is committed to the principle that those currently receiving the
25 longevity bonus will continue to receive it in the future;

26 (4) this legislation provides for the eventual phasing out of
27 the current program in as fair and cost effective a manner as possible,
28 leaving it to subsequent legislatures to decide if another program is
29 needed to assist future Alaskan elders at some later point in time.

1 * Sec. 2. AS 47.45.010(a) is amended to read:

2 (a) A person who is 65 years of age or over on or before July 1,
3 1986, who resides in the state for at least one year immediately
4 preceding application for a longevity bonus under this chapter may
5 apply to the commissioner of administration for qualification to
6 receive a monthly bonus of \$250 upon reaching age 65.

7 * Sec. 3. AS 47.45.030 is amended to read:

8 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a
9 recipient shall notify the commissioner of administration when the
10 recipient expects to be absent from the state if the absence is for a
11 continuous period that exceeds 30 days. After that notification, the
12 recipient may no longer receive bonuses from the Department of
13 Administration after the last regularly approved monthly application.
14 Upon returning to the state, the recipient may again make application
15 for a bonus. Whenever the absence is for a continuous period that
16 exceeds 90 [180] days the recipient shall be disqualified from
17 receiving bonuses for the next 12 calendar months after returning to
18 the state. However, when the commissioner of administration determines
19 a period of absence is beyond the control of the recipient, the
20 recipient may not be disqualified if the recipient still otherwise
21 qualifies upon returning to the state. Continual absences from the
22 state, even though reported, and failure to notify the commissioner of
23 an expected absence may be grounds for disqualification.

24 * Sec. 4. AS 47.45.070 is amended to read:

25 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
26 one who

27 (1) does not meet the age or residence requirements as
28 provided for under this chapter;

29 (2) meets the age and residence requirements of this chap-

1 ter but either is confined in a state or federal mental health insti-
2 tution or facility and is certified by the state as unable to manage
3 personal affairs, or resides in a nursing home as that term is defined
4 in AS 08.70.130; however, if that person, at the time of commitment or
5 commencement of residence, provided the principal support of a spouse,
6 the commissioner of administration may determine to pay the confined
7 person's bonus to the person's spouse until the spouse is qualified
8 for a bonus;

9 (3) is otherwise qualified but confined in a penal or
10 correctional institution or facility; upon completion of sentence or
11 upon the conferral of a pardon, parole or probation, the person may
12 make application; confinement outside the state shall be considered as
13 residence in the state if a person was convicted and sentenced from a
14 court in Alaska; revocation of parole or probation shall be cause for
15 immediate disqualification until release from confinement is again
16 effected;

17 (4) voluntarily leaves the state and remains absent from
18 the state for a continuous period of more than 90 [130] days.

19 * Sec. 5. AS 47.45 is amended by adding a new section to read:

20 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (A) An
21 individual whose public assistance is denied or reduced solely because
22 of the receipt of a bonus under this chapter by the individual or by a
23 member of the individual's household is eligible for assistance under
24 the general relief assistance program in AS 47.25.120 - 47.25.300.
25 Notwithstanding the limit in AS 47.25.130, the individual is entitled
26 to receive the same amount as the individual would have received under
27 other public assistance programs had the individual not received a
28 longevity bonus.

29 (b) In this section "other public assistance" means

- (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);
- (2) Medicaid (42 U.S.C. 1396 - 1396p); and
- (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

* Sec. 6. Section 11, ch. 33, SLA 1984 is repealed.

* Sec. 7. Sections 1 - 5 of this Act take effect July 1, 1985.

* Sec. 8. Section 6 of this Act takes effect immediately in accordance with AS 01.10.070(c).

SUMMARY OF FISCAL NOTES FOR HCS CS SB 56 (FIN)

Fiscal Note #1:	\$413.8	Non-nursing home Medicaid
Fiscal Note #2:	\$2160.0	OAA/SSI
Fiscal Note #3:	\$ 399.0	Loss of nursing wing ALB income to Pioneers' Homes
Sub-Total	\$2972.8	
Fiscal Note #3:	(\$1712.4)	Savings from not paying ALB's to nursing home residents.
<hr/>		
TOTAL	\$1260.4	Net additional general funds required.

NOTE: No funds are provided in these fiscal notes for the payment of bonuses.
These funds are provided in FY 86 budget.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

(Pin FISCAL DETAIL

Bill/Resolution No.: HCS CSSB 56 Agency Affected: Dept. Health & Social Serv.
 Title: Longevity Bonus Program Category Affected: Social
and Economic Assistance
 Sponsor: Senator Ray, et al. BRU, Program or Subprogram(s) Affected: _____
 Requestor: House Finance Committee Medical Assistance
 Date of Request: 3/27/85

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		0				
CAPITAL						
REVENUE		(413.8)				

FUNDING: (Thousands of Dollars)

GENERAL FUND	413.8				
FEDERAL FUNDS	(413.8)				
OTHER					
TOTAL					

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: Attach a separate page if necessary

The bill authorizes state funds to replace lost federal funds for medicaid benefits for non-nursing home medicaid recipients. There is no increase in operating expenditures, only a change in funding source.

APA

Prepared By: Representative Al Adams -Chair Phone: 465-3706
 Division: House Finance Committee Date: 3/27/85

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST (Fin) FISCAL DETAIL
 Bill/Resolution No.: HCS CSSB 56 Agency Affected: Dept. Health & Social Serv.
 Title: Longevity Bonus Program Category Affected: Social & Economic Assistance
 Sponsor: Senator Ray, et al. BRU, Program or Subprogram(s) Affected: _____
 Requestor: House Finance Committee General Relief Assistance
 Date of Request: 3/27/85

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		2160.0				
800 MISCELLANEOUS						
TOTAL OPERATING		2160.0				

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		2160.0				
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See attached analysis

APA

Prepared By: Representative Adams Chairman Phone: 465-3706
 Division: House Finance Committee Date: 3/27/85

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Fiscal Note Analysis

HCS CS SB 56 (Fin)

1. Costs reflect replacing lost supplemental security income monthly payments with General Relief Assistance:

			<u>FY cost</u>
FY 86:	750 persons/month	=	1,400.0
FY 87:	794 persons/month	=	1,530.5
FY 88:	838 persons/month	=	1,669.8
FY 89:	884 persons/month	=	1,821.6
FY 90:	933 persons/month	=	1,987.4

2. Costs also reflect replacing lost Old Age Assistance monthly payments with General Relief Assistance:

			<u>FY cost</u>
FY 86:	750 persons/month	=	760.0
FY 87:	794 persons/month	=	830.7
FY 88:	838 persons/month	=	906.3
FY 89:	884 persons/month	=	988.8
FY 90:	933 persons/month	=	1017.9

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST (Fin) FISCAL DETAIL
 Bill/Resolution No.: HCS CSSB 56 Agency Affected: Administration
 Title: Longevity Bonus Program Category Affected: Social and Economic assistance for the aged.
 Sponsor: Senator Ray, et al BRU, Program or Subprogram(s) Affected:
 Requestor: House Finance Committee Longevity Bonus and Pioneers' Home
 Date of Request: 3/27/85

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
500 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(1712.4)				
800 MISCELLANEOUS						
TOTAL OPERATING		(1712.4)				

CAPITAL						
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REVENUE		(399.0)				
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FUNDING: (Thousands of Dollars)

GENERAL FUND		(1313.4)				
FEDERAL FUNDS						
OTHER						
TOTAL		(1313.4)				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See Attached Analysis.

Prepared By: ^{BPA} Representative Adams - Chairman Phone: 465-3706
 Division: House Finance Committee Date: 3/27/85

Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

HCS CS SB 56 (Fin)

Fiscal note analysis:

This bill makes persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus.

ASSUMPTIONS

1. Those persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number will remain unchanged.
($608 \times 12 \times \$250 = \$1,824,000$ savings.)
2. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes.
($133 \times 12 \times \$250 = \$399,000$ est. loss of program receipts)
3. Of the approximate 133 nursing care residents of the Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). ($93 \times 12 \times \$100 = \$111,600$.)

In Millions of Dollars

Fiscal Year	HCCSSB 56	CSSB 56 (Annuity)
86	50.2	50.2
87	48.0	53.1
88	45.8	55.7
89	43.6	58.2
90	41.4	60.3
91	39.2	61.7
92	37.1	62.4
93	34.9	62.5
94	32.8	61.7
95	30.6	60.0
96	28.5	56.9
97	26.4	52.1
98	24.4	45.9
99	22.4	37.6
00	20.4	27.0
01	18.6	15.7
02	16.7	14.0
03	15.0	12.5
04	13.4	11.0
05	11.8	9.6
06	10.4	8.4
07	9.0	7.2
08	7.8	6.2
09	6.7	5.3
10	5.7	4.3
11	4.9	3.6

TOTALS	645.7	903.1
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TOTALS as of 2034	665.0	916.5
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cedd 5/9/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 3

REQUEST
Bill/Resolution No.: HCSCSB56 (Fin)
Title: Longevity Bonus

FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social and
Economic Assistance for the Aged
BRU, Program or Subprogram(s) Affected:
Longevity Bonus Program and Pioneers' Homes

Sponsor: Ray et al
Requestor: _____
Date of Request: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(6,677.4)	(11,819.4)	(17,033.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,712.4)	(1,712.4)	(6,677.4)	(11,819.4)	(17,033.4)

CAPITAL	0	0	0	0	0	0
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REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,313.4)	(1,313.4)	(6,278.4)	(11,420.4)	(16,634.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,313.4)	(1,313.4)	(6,278.4)	(11,420.4)	(16,634.4)

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Munson, Director Phone: 465-4400
Division: Pioneers' Benefits Date: May 2, 1985

Approved by Commissioner: Lisa Rudd Date: 5/8/85
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
8/7D1/0502-07

HCS CSSB 56 (Finance)
 Fiscal Note Analysis
 Prepared by Division of Pioneers' Benefits
 Department of Administration
 May 2, 1985

This House Finance Committee version of the bill eliminates all reference to the annuity program and phases out the Longevity Bonus Program by requiring eligible applicants to be age 65 or over on or before July 1, 1986. It also would make persons who reside in nursing homes ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose their SSI, Adult Public Assistance and Medicaid benefits by receipt of the Longevity Bonus. This bill also deems unqualified those who voluntarily leave the state and remain absent for a continuous period of more than 90 days.

ASSUMPTIONS

This fiscal note addresses the impact on the Longevity Bonus Program, as well as the Pioneers' Homes.

1. Limiting eligibility to those who are age 65 on or before July 1, 1986, (the beginning of FY 87), would have the effect of reducing the number of participants beginning in FY 88, because the number of eligible persons who leave Alaska or die is expected to exceed the number of persons who would move to Alaska, achieve one year of residence and apply for the Longevity Bonus.
2. The number of persons who would be affected in Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number would remain unchanged. (608 x 12 x \$250 = \$1,824,000 saving)
3.
 - a. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. (133 x 12 x \$250 = \$399,000 est. loss of program receipts)
 - b. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). (93 x 12 x \$100 = \$111,600)

(No consideration has been given to persons who may occupy the Juneau Pioneers' Home beginning in FY 88 because information is not available about them at this time.)
4. It is assumed that changing the allowable absence from Alaska from 180 to 90 continuous days will result in some persons returning early so as not to lose the Bonus for an additional 12 months. This number is unknown, and therefore no fiscal impact is shown.

HCS CSSB 56 (Finance)
 Fiscal Note Analysis
 Prepared by Division of Pioneers' Benefits
 Department of Administration
 May 2, 1985

Summary

<u>Element</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
Savings/Nursing Homes (Longevity Bonus)	(\$1,824.0)	(\$1,824.0)	(\$1,824.0)	(\$1,824.0)	(\$1,824.0)
Lost Revenues (Pioneers' Homes)	399.0	399.0	399.0	399.0	399.0
Stipends Paid (Pioneers' Homes)	111.6	111.6	111.6	111.6	111.6
Grants Difference (Longevity Bonus)	0	0	(4,965.0)	(10,107.0)	(15,321.0)
Net Change	(\$1,313.4)	(\$1,313.4)	(\$6,278.4)	(\$11,420.4)	(\$16,634.4)

POSITION PAPER
HCSCSSB56 (Fin)

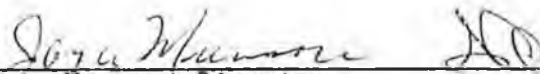
This is a companion bill to CSHB239 (Fin), with exactly the same wording and effect.

This House Finance Committee version of the bill phases out the Longevity Bonus Program by requiring eligible applicants to be age 65 or over on or before July 1, 1986. It also would make persons who reside in nursing homes ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose their SSI, Adult Public Assistance and Medicaid benefits by receipt of the Longevity Bonus. This bill also deems unqualified those who voluntarily leave the state and remain absent for a continuous period of more than ninety days.

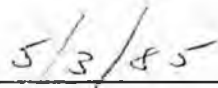
The legislature is presently divided over the method of providing future financial security for Alaska's elderly. Unless some action is taken, the Longevity Bonus program will cease on June 30, 1985.

The uncertainty of the program's future has had an unsettling effect on those who now receive the bonus and those who have planned their future with income from the Longevity Bonus in mind. For this reason, the Department of Administration favors a permanent solution to the State's dilemma over the Longevity Bonus, rather than a stopgap measure.

The Department of Administration is taking a neutral position on this bill.



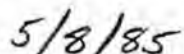
Joyce Munson, Director
Division of Pioneers' Benefits
Department of Administration



Date



Commissioner Lisa Rudd
Department of Administration



Date

Levy
3/28/85 ✓

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 56 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to a longevity bonus; and providing
7 for an effective date."

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

9 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that

11 (1) the state is committed to the elderly and has been since
12 territorial days, as evidenced by the many programs benefiting the elderly,
13 including the Alaska longevity bonus program; the Alaska Supreme Court in
14 Schafer v. Vest, however, struck down the original longevity bonus program,
15 thus requiring action by the legislature; as a result, the program is now
16 open to an ever-increasing number of recipients, placing an ever-expanding
17 burden on the general fund;

18 (2) projections of declining oil revenue, combined with an
19 increasing senior citizen population, make it clear that the longevity
20 bonus program will be increasingly difficult to fund and it must be
21 amended;

22 (3) the state still desires to recognize the achievements of
23 Alaska's elderly, who served Alaska prior to statehood; thus, the legisla-
24 ture is committed to the principle that those currently receiving the
25 longevity bonus will continue to receive it in the future;

26 (4) the state also desires to ensure that those older Alaskans,
27 not yet 65 but approaching retirement, now counting on the bonus as part of
28 their retirement income and without sufficient time to add to their retire-
29 ment, are also protected;

1
2 (5) this legislation provides for the eventual phasing out of
3 the current program in as fair and cost effective a manner as possible,
4 leaving it to subsequent legislatures to decide if another program is
5 needed to assist future Alaskan elders at some later point in time.

6 * Sec. 2. AS 47.45.010(a) is amended to read:

7 (a) A person who is 65 years of age or over on or before July 1,
8 ¹⁹⁹⁰ 1991, who resides in the state for at least one year immediately
9 preceding application for a longevity bonus under this chapter may
10 apply to the commissioner of administration for qualification to
11 receive a monthly bonus of \$250 upon reaching age 65.

12 * Sec. 3. AS 47.45.030 is amended to read:

13 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a
14 recipient shall notify the commissioner of administration when the
15 recipient expects to be absent from the state if the absence is for a
16 continuous period that exceeds 30 days. After that notification, the
17 recipient may no longer receive bonuses from the Department of
18 Administration after the last regularly approved monthly application.
19 Upon returning to the state, the recipient may again make application
20 for a bonus. Whenever the absence is for a continuous period that
21 exceeds 90 [180] days the recipient shall be disqualified from
22 receiving bonuses for the next 12 calendar months after returning to
23 the state. However, when the commissioner of administration determines
24 a period of absence is beyond the control of the recipient, the
25 recipient may not be disqualified if the recipient still otherwise
26 qualifies upon returning to the state. Continual absences from the
27 state, even though reported, and failure to notify the commissioner of
28 an expected absence may be grounds for disqualification.

29 * Sec. 4. AS 47.45.070 is amended to read:

Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is

1 one who

2 (1) does not meet the age or residence requirements as
3 provided for under this chapter;

4 (2) meets the age and residence requirements of this chap-
5 ter but either is confined in a state or federal mental health insti-
6 tution or facility and is certified by the state as unable to manage
7 personal affairs, or resides in a nursing home as that term is defined
8 in AS 08.70.180; however, if that person, at the time of commitment or
9 commencement of residence, provided the principal support of a spouse,
10 the commissioner of administration may determine to pay the confined
11 person's bonus to the person's spouse until the spouse is qualified
12 for a bonus;

13 (3) is otherwise qualified but confined in a penal or
14 correctional institution or facility; upon completion of sentence or
15 upon the conferral of a pardon, parole or probation, the person may
16 make application; confinement outside the state shall be considered as
17 residence in the state if a person was convicted and sentenced from a
18 court in Alaska; revocation of parole or probation shall be cause for
19 immediate disqualification until release from confinement is again
20 effected;

21 (4) voluntarily leaves the state and remains absent from
22 the state for a continuous period of more than 90 [180] days.

23 * Sec. 5. AS 47.45 is amended by adding a new section to read:

24 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An
25 individual whose public assistance is denied or reduced solely because
26 of the receipt of a bonus under this chapter by the individual or by a
27 member of the individual's household is eligible for assistance under
28 the general relief assistance program in AS 47.25.120 - 47.25.300.
29 Notwithstanding the limit in AS 47.25.130, the individual is entitled

1 to receive the same amount as the individual would have received under
2 other public assistance programs had the individual not received a
3 longevity bonus.

4 (b) In this section "other public assistance" means

- 5 (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);
- 6 (2) Medicaid (42 U.S.C. 1396 - 1396p); and
- 7 (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

8 * Sec. 6. Section 11, ch. 38, SLA 1984 is repealed.

9 * Sec. 7. Sections 1 - 5 of this Act take effect July 1, 1985.

10 * Sec. 8. Section 6 of this Act takes effect immediately in accordance
11 with AS 01.10.070(c).

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SECTIONAL ANALYSIS OF HCS CS SB 56 (FIN)

Section 1. This is the findings and purpose section. It articulates why the legislature is phasing out the program.

Section 2. This section phases out the program. Only those individuals who turn 65 by July of 1986 will be eligible for a monthly bonus for the rest of their lives.

Section 3. Under current law, a bonus recipient can be Outside for 6 months without losing eligibility for the bonus for the next year. This section would only allow the recipient to be Outside for 3 months without losing eligibility.

Section 4. This section disqualifies those who reside in nursing homes, nursing wings of Pioneer homes, and mental health facilities from receiving a longevity bonus. This is because they will lose their medicaid eligibility if they continue to receive a bonus and the amount that medicaid pays for their care far exceeds the \$3,000 in annual bonus income. (Please refer to letter of intent for further details.)

Section 5. This section "holds harmless" those bonus recipients who would otherwise lose their medicaid, SSI, and OAA benefits because the federal government now considers the bonus as a prior resource when determining eligibility for these programs. (Please refer to letter of intent for further details.)

Section 6. This section repeals the July 1, 1985 termination date of the current longevity bonus program.

Sections 7 and 8. These sections make all of the bill go into effect on July 1, 1985 except for section 6 which goes into effect immediately.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
 Bill/Resolution No.: CSSB 56 (Fin)
 Title: An Act amending the
longevity bonus program
 Sponsor: Finance
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Department of Administration
 Program Category Affected: _____
Labor services
 BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		109.1	132.5	139.1	146.1	153.4
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		20.0	28.1	29.5	31.0	32.6
400 Supplies		8.0	8.4	8.8	9.3	9.7
500 Equipment		12.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	149.1	169.0	177.4	186.4	195.7
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		149.1				
FEDERAL FUNDS						
OTHER			169.0	177.4	186.4	195.7
TOTAL	-0-	149.1	169.0	177.4	186.4	195.7

POSITIONS: -0-

FULL-TIME		3	3	3	3	3
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 3/26/85

Approved by Commissioner: Lisa Rudd Date: 3/27/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CS Senate Bill 56 (Finance)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 26, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. Except for FY 86, the cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that three full-time employees will be needed to administer this program on a continuing basis. We estimate that the program supervisor and chief accountant will be needed for the entire first year to assist in the development and analysis of the computer system needs with the other staff member being needed for only half of FY 86 to assist with the implementation and testing.

We are basing this Fiscal Note on the assumption that the Department of Revenue will supply information as to age, beneficiary elections, and address for those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. We assumed that General Funds would be needed for FY 86 and "other funds" would be available for FY 87 and later years.

We estimate that three positions are needed to administer this program.

Supervisor: Retirement & Benefits Specialist III
Accountant: Accountant II
Technician: Retirement & Benefits Technician I/II
(6 months FY86, full-time thereafter)

We propose that a notification would be developed in consultation with the Department of Revenue and would be sent to all Alaska boxholders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 25,000 participants. This cost is estimated to be \$7.1 beginning in FY 87.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 4

REQUEST

Bill/Resolution No.: CSSB 56 (Fin)
 Title: An Act amending the longevity
 bonus program.
 Sponsor: Finance
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Department of Administration
 Program Category Affected: _____
Centralized Administrative Services
 BRU, Program or Subprogram(s) Affected: _____
Data Processing Services/Annuity Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
Operating						
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Pmnt & Bnfts						
200 Travel						
300 Contractual		20.0	21.0	22.0	23.2	24.3
400 Supplies		.5	.5	.6	.6	.6
500 Equipment		4.0	4.2	4.4	4.6	4.9
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7
CAPITAL		600.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		684.5				
FEDERAL FUNDS						
OTHER			88.7	93.2	97.9	102.7
TOTAL	-0-	684.5	88.7	93.2	97.9	102.7

POSITIONS: -0-

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 3/26/85

Approved by Commissioner: Lisa Rudd Date: 3/27/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CS Senate Bill 56 (Finance)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 26, 1985

IV Analysis: This Fiscal Note addresses costs in the Data Processing Services BRU. We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that system analysis, development and construction costs would be \$600,000 and would be a capital appropriation from General Funds. A breakdown of the \$600,000 estimate for capital costs is attached (see pp. 3 & 4).

We anticipate the need for one full-time programmer/analyst IV to provide guidance in the development of the annuity systems with the contractors and, after implementation, to provide ongoing maintenance. We also estimate a cost of \$20.0 for computer records storage and operation costs.

We estimated an inflation rate of 5%. Further, we have assumed that General Funds would be needed to fund FY 86 and that "other funds" would be available for FY 87 and later years.

State Of Alaska	Bill: SB-56
SMALL PROJECT - General Purpose Form	-----
Project Name: Longevity Bonus/PFD - Estimation Assumptions & Summary	
Prepared By: Gene Chittenden	Date: 03/19/85

Estimation Assumptions:

1. System will not be front loaded with any monetary data.
2. System will need to interface with the Permanent Fund Data Bases.
3. System will need online access to all fields.
4. System will need to track beneficiaries as well as participants.
5. System will need to spread interest on some regularly established basis.
6. System will need to create annual account balance statements.
7. System will need to keep track of deposits.
8. System will need to keep track of withdrawals.
9. System will need to keep track of annuity options.
10. System will need to keep track of totals for federal income tax reporting.
11. System will need to create and log transfer vouchers for reserve transfers.
12. System will need to create and log transfer vouchers for annuitants.
13. System will need to keep accurate data for the following fields at a minimum:
 - a. Name (first, middle initial, last)
 - b. Mailing address (street, city, state, and zip)
 - c. Marital status (Single or Married only)
 - d. Dates of birth and death
 - e. Beneficiary, survivor and permanent contact information
 - f. Account number
 - g. Front loaded deposits/withdrawals, reason and date
 - h. PFD deposits/withdrawals, reason and date
 - i. Date annuity started and option chosen
 - j. Interest deposits/withdrawals, reason and date
 - k. YTD and ITD netted figures for all monetary fields
14. System will need to have an acceptable level of security built in.
15. System will have to use standard accounting practices of double entry bookkeeping.
16. System will not require any additional hardware or software packages, either for JDC or the Division of Retirement and Benefits.

Estimation Summary:

Based on the detailed estimate following, this system will take approximately 5.15 man-years to build at a cost of \$600,000.

Additionally, this system would be estimated to have 25,000 executable lines of code which would require approximately 1.25 maintenance people per year for data processing. Costs vary depending on grade level and seniority of persons assigned to maintain this system.

State Of Alaska	Bill: SB-56
SMALL PROJECT - Project Estimation	
Project Name: Longevity Bonus/PFD	
Prepared By: Gene Chittenden	Date: 03/19/85

TASK	DESCRIPTION	EST HOURS	EST RATE	EST COST
1.00	General design phase			
.1	System definition	300	65	19,500
.2	System plan	300	65	19,500
.3	User requirements	320	65	20,800
.4	Hardware Requirements	120	65	7,800
.5	Software selection	215	65	13,975
.6	System narrative	205	65	13,325
.7	System flow	220	65	14,300
.8	Data Dictionary	400	55	22,000
.9	Approvals, miscellaneous meetings, etc.	200	65	13,000
I.	Estimated Phase Totals	2280	n/a	144,200
2.00	Detail design phase			
.1	Systems design	400	65	26,000
.2	Subsystems design	450	65	29,250
.3	Subsystem flows	280	65	18,200
.4	Input/output design	410	65	26,650
.5	Data Base design	420	65	27,300
.6	Program design and specification	850	65	55,250
.7	General design update	220	65	14,300
.8	Data Dictionary update	500	55	27,500
.9	Approvals, walk-thrus, meetings, etc.	170	65	11,050
II.	Estimated Phase Totals	3700	n/a	235,500
3.00	Programming and Implementation phase			
.1	Programming	1420	50	71,000
.2	Unit testing	1100	50	55,000
.3	Integrated test plan	220	65	14,300
.4	System testing	200	50	10,000
.5	User manuals	200	65	13,000
.6	User training	160	65	10,400
.7	Project turnover	100	65	6,500
.8	General and detail design update	180	65	11,700
.9	Data Dictionary update	280	55	15,400
.10	Approvals, walk-thrus, meetings, etc.	200	65	13,000
III.	Estimated Phase Totals	4060	n/a	220,300
	Estimated Project Total	10040	n/a	600,000

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: March 21, 1985
Page 1 of 2

REQUEST
Bill/Resolution No.: CSSB 56 (Finance)
Title: Longevity Bonus/Annuity Program
Sponsor: Ray
Requestor: _____
Date of Request: _____

FISCAL DETAIL
Agency Affected: Administration
Program Category Affected: Social and
Economic Assistance for the Aged
BRU, Program or Subprogram(s) Affected:
Longevity Bonus Program and Pioneers' Homes

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	10.0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	(1,702.4)	(1,712.4)	(1,712.4)	(1,712.4)	(1,712.4)
CAPITAL	0	0	0	0	0	0
REVENUE	0	(399.0)	(399.0)	(399.0)	(399.0)	(399.0)

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	(1,303.4)	(1,313.4)	(1,313.4)	(1,313.4)	(1,313.4)

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Joyce Mupson, Director *Joyce Mupson* Phone: 465-4400
Division: Pioneers' Benefits *AM* Date: March 21, 1985

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 3/27/85
Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CSSB 56 (Finance)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
March 21, 1985

ASSUMPTIONS

This version of the bill would make persons who reside in nursing homes and government operated mental health facilities ineligible for the Longevity Bonus. This would have the effect of holding harmless those who would lose governmental benefits such as SSI, Adult Public Assistance and Medicare by receipt of the Longevity Bonus in other than Pioneers' Homes.

This fiscal note addresses administrative costs for the Longevity Bonus Program, as well as the impact on the Pioneers' Homes.

Two payment systems will be run in the Longevity Bonus Program. The first would pay a monthly target amount for those eligibles age 65 before January 1, 1986. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1986. The second system would be impacted by information from the Annuity program. Since information from the Annuity program is not available, the impact cannot be calculated for this fiscal note.

FY 86 Longevity Bonus Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
The Longevity Bonus program would need additional resources for modifications to data processing files.	

Printing Costs already in 86 Budget

FY 87 Longevity Bonus Administrative Costs (Operations)

No Additional Costs

ASSUMPTIONS

1. The number of persons who would be affected in mental health facilities, Pioneers' Homes and nursing homes was approximately 608 as of February 1985. For the purpose of this fiscal note, it is assumed this number would remain unchanged. $(608 \times 12 \times \$250 = \$1,824,000 \text{ saving})$
2. There are approximately 133 nursing care residents of the Pioneers' Homes who use the Longevity Bonus to pay their monthly charges for care. Loss of the Longevity Bonus to these people would result in loss of revenue as program receipts for the Pioneers' Homes. $(133 \times 12 \times \$250 = \$399,000 \text{ est. loss of program receipts})$
3. Of the approximately 133 residents in Pioneers' Homes who would be affected, approximately 93 would have incomes reduced to the point they would become eligible for the monthly stipend payable under AS 47.25.020 (b) and (c). $(93 \times 12 \times \$100 = \$111,600)$

No consideration has been given to persons who may occupy the Juneau Pioneers' Home beginning in FY 88 because information is not available at this time about their income or needs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Dept. of Revenue
Program Category Affected: _____
Revenue Collections & Management
BRU, Program or Subprogram(s) Affected: _____
Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
500 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jan Faiks* Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Public Service
Rev. Coll.
7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Dept. of Revenue
Program Category Affected: _____
General Government
BRU, Program or Subprogram(s) Affected: _____
PFD - Admin. Services, Enforcement,
Public Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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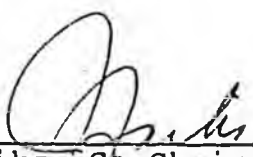
FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: 
Division: Jan Faiks, Co-Chairman
Senate Finance Committee
Approved by Commissioner: _____
Agency: _____

Phone: 465-4523
Date: 3/19/85

Date: _____

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

General Govt

7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resclution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Health & Social Services
Program Category Affected: Social & Econ. Assistance for general population
BRU, Program or Subprogram(s) Affected: Adult Public Assistance, Old Age Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
----------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jack* Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

*Adult Pub. Asst
Old Age Asst.*

7/1/86

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Health & Social Services
Program Category Affected: Social & Econ. Assistance for the General Population
BRU, Program or Subprogram(s) Affected: Medical Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jan Faiks* Phone: 465-4523
 Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
 Approved by Commissioner: _____ Date: _____
 Agency: _____

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

Medical Asst.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Dept. of Administration
Program Category Affected: _____
Centralized Administrative Services
BRU, Program or Subprogram(s) Affected: _____
Data Processing Services/Annuity
Management _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
500 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
900 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---


FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By:  Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Data Proc
7/1/84

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

FISCAL DETAIL

Agency Affected: Department of Administration
Program Category Affected: _____
Labor Services
BRU, Program or Subprogram(s) Affected: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jan Faiks* Phone: 465-4523
Division: Jan Faiks, Co-Chairman Date: 3/19/85
Senate Finance Committee
Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

Labor Serv.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB 56 (Fin)
Title: Longevity Bonus

FISCAL DETAIL

Agency Affected: Dept. of Revenue
Program Category Affected: _____

Sponsor: _____
Requestor: Senate Finance
Date of Request: 3/19/85

BRU, Program or Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING	0	0	0	0	0	0
100 PERSONAL SERVICES	0	0	0	0	0	0
200 TRAVEL	0	0	0	0	0	0
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES	0	0	0	0	0	0
500 EQUIPMENT	0	0	0	0	0	0
600 LAND & STRUCTURES	0	0	0	0	0	0
700 GRANTS, CLAIMS	0	0	0	0	0	0
800 MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Prepared By: *Jan Faiks*
Division: Jan Faiks, Co-Chairman
Senate Finance Committee
Approved by Commissioner: _____
Agency: _____

Phone: 465-4523
Date: 3/19/85
Date: _____

Distribution (by Agency preparing fiscal note):

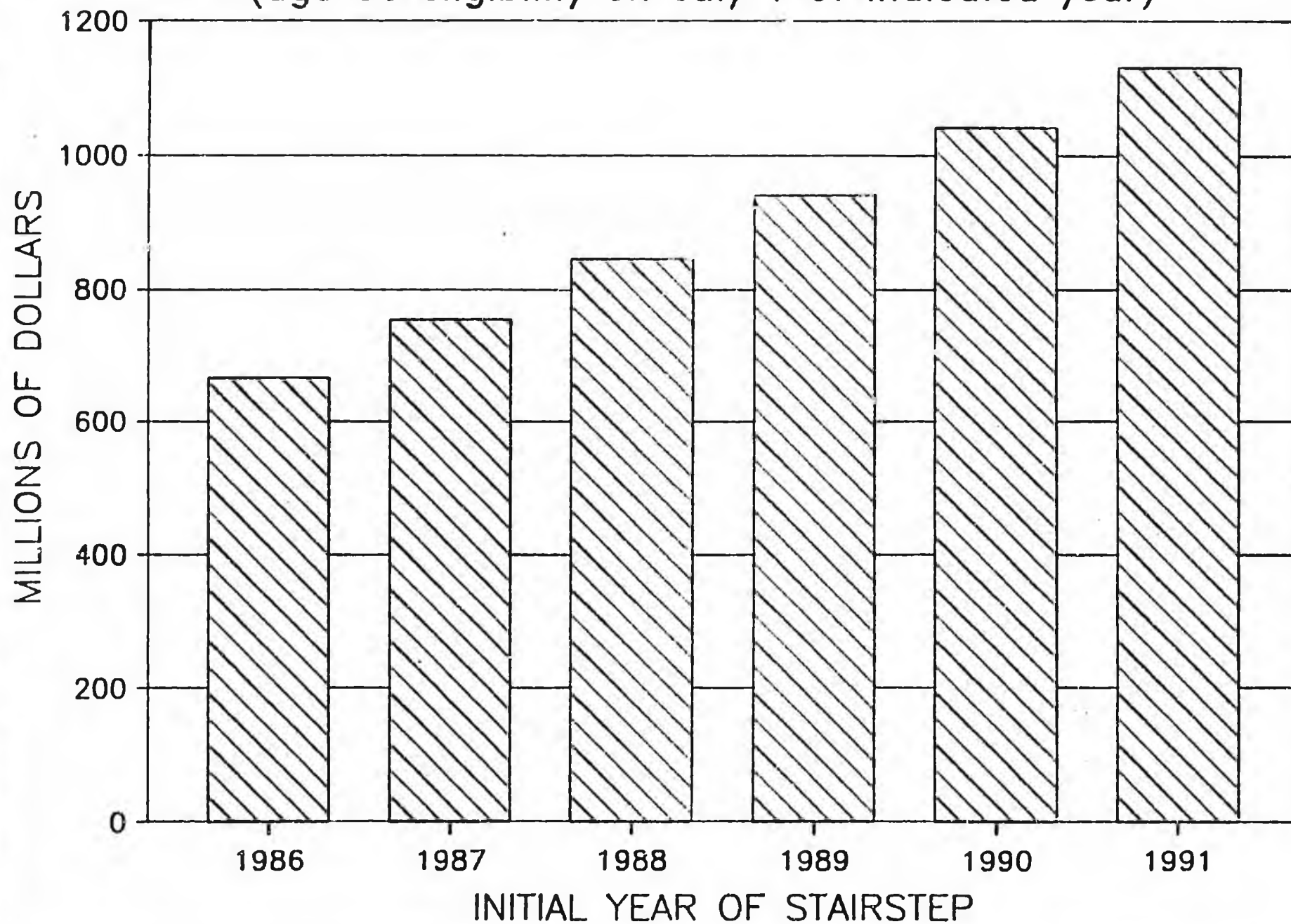
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Treasury
7/1/85

④

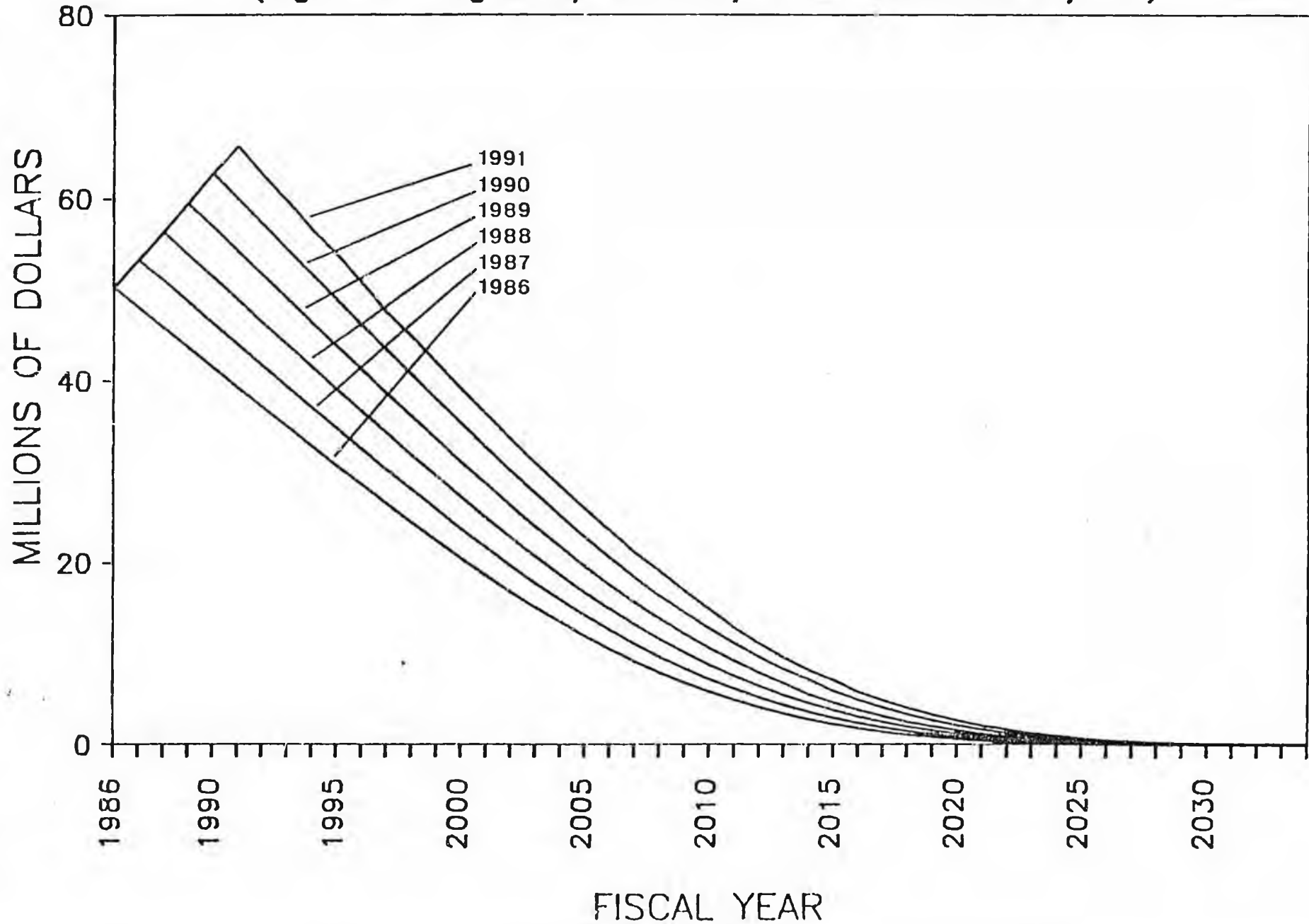
STAIRSTEP PROGRAM COSTS, FY 1986-2034

(age 66 eligibility on July 1 of indicated year)



ANNUAL STAIRSTEP PROGRAM COSTS

(age 66 eligibility on July 1 of indicated year)



STAIRSTEP POPULATIONS AND COSTS, FY 1986-2034

Fiscal Year:	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
\$												
STAIR86	16744	16012	15276	14540	13809	13082	12360	11641	10927	10216	9512	8817
STAIR87	16744	17768	16989	16205	15421	14642	13869	13100	12336	11576	10821	10072
STAIR88	16744	17768	18769	17941	17109	16277	15451	14631	13815	13005	12200	11400
STAIR89	16744	17768	18769	19828	18949	18066	17184	16308	15437	14573	13714	12861
STAIR90	16744	17768	18769	19828	20913	19982	19046	18111	17183	16261	15346	14437
STAIR91	16744	17768	18769	19828	20913	21908	20839	19890	18823	17940	16873	15819
GTS (millions)												
COST86	\$50.2	\$48.0	\$45.8	\$43.6	\$41.4	\$39.2	\$37.1	\$34.9	\$32.8	\$30.6	\$28.5	\$26.4
COST87	\$50.2	\$53.3	\$51.0	\$48.6	\$46.3	\$43.9	\$41.6	\$39.3	\$37.0	\$34.7	\$32.5	\$30.2
COST88	\$50.2	\$53.3	\$56.3	\$53.8	\$51.3	\$48.8	\$46.4	\$43.9	\$41.4	\$39.0	\$36.6	\$34.2
COST89	\$50.2	\$53.3	\$56.3	\$59.5	\$56.8	\$54.2	\$51.6	\$48.9	\$46.3	\$43.7	\$41.1	\$38.6
COST90	\$50.2	\$53.3	\$56.3	\$59.5	\$62.7	\$59.9	\$57.1	\$54.3	\$51.5	\$48.8	\$46.0	\$43.3
COST91	\$50.2	\$53.3	\$56.3	\$59.5	\$62.7	\$65.7	\$62.5	\$59.7	\$56.5	\$53.8	\$50.6	\$47.5
COST SUMMARY												
ing on July 1:	1986	1987	1988	1989	1990	1991						
\$	\$665	\$755	\$846	\$941	\$1,042	\$1,131						
985 DOLLARS	\$379	\$429	\$477	\$525	\$572	\$612						
LUE	\$314	\$354	\$391	\$428	\$462	\$491						

y the Division of Strategic Planning: 3/26/85

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
3	7465	6814	6185	5579	5000	4452	3938	3458	3016	2611	2244	1914	1618
3	8608	7899	7209	6542	5900	5287	4706	4162	3655	3187	2758	2370	2021
7	9825	9058	8309	7580	6876	6199	5553	4941	4368	3834	3342	2892	2484
4	11175	10348	9537	8746	7977	7233	6520	5838	5194	4590	4028	3510	3036
5	12639	11753	10880	10025	9190	8379	7596	6845	6127	5450	4814	4224	3680
4	13969	13031	12098	11193	10306	9438	8639	7850	7043	6359	5640	4950	4243
4	\$22.4	\$20.4	\$18.6	\$16.7	\$15.0	\$13.4	\$11.8	\$10.4	\$9.0	\$7.8	\$6.7	\$5.7	\$4.9
0	\$25.8	\$23.7	\$21.6	\$19.6	\$17.7	\$15.9	\$14.1	\$12.5	\$11.0	\$9.6	\$8.3	\$7.1	\$6.1
8	\$29.5	\$27.2	\$24.9	\$22.7	\$20.6	\$18.6	\$16.7	\$14.8	\$13.1	\$11.5	\$10.0	\$8.7	\$7.5
0	\$33.5	\$31.0	\$28.6	\$26.2	\$23.9	\$21.7	\$19.6	\$17.5	\$15.6	\$13.8	\$12.1	\$10.5	\$9.1
6	\$37.9	\$35.3	\$32.6	\$30.1	\$27.6	\$25.1	\$22.8	\$20.5	\$18.4	\$16.3	\$14.4	\$12.7	\$11.0
8	\$41.9	\$39.1	\$36.3	\$33.6	\$30.9	\$28.3	\$25.9	\$23.6	\$21.1	\$19.1	\$16.9	\$14.9	\$12.7

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1121	916	736	583	453	346	258	189	127	85	54	35	20
1431	1183	966	776	615	478	365	273	199	134	90	56	37
1789	1497	1238	1011	813	644	500	382	285	208	141	94	59
2222	1811	1515	1253	1024	822	651	506	386	289	211	142	95
2732	2370	1931	1616	1337	1092	877	695	540	412	308	225	152
3161	2698	2340	1907	1596	1320	1078	866	686	533	407	304	222
\$3.4	\$2.7	\$2.2	\$1.7	\$1.4	\$1.0	\$.8	\$.6	\$.4	\$.3	\$.2	\$.1	\$.1
\$4.3	\$3.6	\$2.9	\$2.3	\$1.8	\$1.4	\$1.1	\$.8	\$.6	\$.4	\$.3	\$.2	\$.1
\$5.4	\$4.5	\$3.7	\$3.0	\$2.4	\$1.9	\$1.5	\$1.1	\$.9	\$.6	\$.4	\$.3	\$.2
\$6.7	\$5.4	\$4.5	\$3.8	\$3.1	\$2.5	\$2.0	\$1.5	\$1.2	\$.9	\$.6	\$.4	\$.3
\$8.2	\$7.1	\$5.8	\$4.8	\$4.0	\$3.3	\$2.6	\$2.1	\$1.6	\$1.2	\$.9	\$.7	\$.5
\$9.5	\$8.1	\$7.0	\$5.7	\$4.8	\$4.0	\$3.2	\$2.6	\$2.1	\$1.6	\$1.2	\$.9	\$.7

2026	2027	2028	2029	2030	2031	2032	2033	2034
11	6	3	1	0	0	0	0	0
22	12	6	4	1	0	0	0	0
38	23	12	7	4	1	0	0	0
60	39	23	12	7	4	1	0	0
101	64	42	24	13	7	4	1	0
150	100	63	41	24	13	7	4	1
\$.0	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0
\$.1	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0
\$.1	\$.1	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0
\$.2	\$.1	\$.1	\$.0	\$.0	\$.0	\$.0	\$.0	\$.0
\$.3	\$.2	\$.1	\$.1	\$.0	\$.0	\$.0	\$.0	\$.0
\$.5	\$.3	\$.2	\$.1	\$.1	\$.0	\$.0	\$.0	\$.0

Offered: 3/19/85
Referred: Rules

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 56 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to a longevity bonus; and providing
7 for an effective date."

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

9 * Section 1. FINDINGS AND PURPOSE. The legislature finds and declares
10 that

11 (1) it is in the public interest to continue the longevity bonus
12 program; however, as oil reserves decline over the years, it will become
13 increasingly difficult to provide the benefits of the longevity bonus
14 program through the general fund; as a result, that program must be phased
15 out over the years;

16 (2) it is appropriate that individuals save for their own re-
17 tirement, and it is also appropriate that the state establish both means
18 and incentives for Alaska residents to set aside retirement funds; accord-
19 ingly, it is a purpose of this legislation to create an annuity program;

20 (3) many retired Alaskans have made their retirement plans in
21 reliance on the availability of both the existing longevity bonus and the
22 permanent fund dividend; accordingly, the legislature finds that it is
23 appropriate to continue both those programs for these individuals;

24 (4) the most suitable source of funds for the annuity program
25 created by this Act are those permanent fund earnings currently distributed
26 as dividends; therefore this Act provides that the annual permanent fund
27 dividend of younger Alaskans may be applied to annuity accounts unless the
28 individual alternatively elects to receive cash; in so doing, this Act will
29 promote wise stewardship of the permanent fund by giving each participant a

1 direct financial stake in its long-term profitability; and

2 (5) neither the longevity bonus program, nor the annuity pro-
3 gram, should be viewed as a form of welfare; other state and federal pro-
4 grams are available to meet the basic necessities of life, and amounts
5 received by an individual under this Act are not calculated on the basis of
6 need.

7 * Sec. 2. AS 43.23.005(c) is amended to read:

8 (c) A parent, guardian, or other authorized representative may
9 claim a permanent fund dividend on behalf of an unemancipated minor or
10 on behalf of an incompetent individual who is eligible to receive a
11 dividend [PAYMENT] under this section.

12 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

13 (d) A person who is eligible to receive a permanent fund divi-
14 dend under this section, or who is authorized to claim a dividend on
15 behalf of another under (c) of this section, may elect to receive the
16 dividend either in cash or as an annuity credit. Alternatively, a
17 person may elect to receive 25 percent, 50 percent, or 75 percent of
18 the dividend in cash and the remainder as an annuity credit. A person
19 who is 65 years of age before January 1, 1986, may only receive cash
20 and may not elect to receive an annuity credit.

21 * Sec. 4. AS 43.23.015(a) is amended to read:

22 (a) The commissioner shall adopt regulations under the Adminis-
23 trative Procedure Act (AS 44.62) establishing the process for de-
24 termining the eligibility of individuals for permanent fund dividends.
25 The commissioner may require an individual to provide proof of eli-
26 gibility, and the commissioner may use other information available
27 from other state departments or agencies to determine the eligibility
28 of an individual.

29 * Sec. 5. AS 43.23.015(b) is amended to read:

1 (b) The department shall prescribe and furnish an application
2 form for claiming a permanent fund dividend. The application must
3 contain a statement of eligibility and a certification of residency in
4 substantially the following form:

5 I certify that

6 () I am a state resident on the date of this application
7 and I have been a state resident for at least six months immediately
8 preceding the date of this application; or

9 () (name), the individual on whose behalf I am applying,
10 is a state resident and has been a state resident for at least six
11 months immediately preceding the date of this application.

12 I understand that a false claim of residency to obtain a perma-
13 nent fund dividend for myself or for another is a criminal offense and
14 that if convicted I will forfeit future permanent fund dividends and
15 that I will lose or must repay all permanent fund dividends that have
16 been credited or paid to me. I understand that this penalty is in
17 addition to any criminal penalties imposed.

18 _____
19 (signature of individual, parent,
20 guardian, or other authorized
21 representative)

22 * Sec. 6. AS 43.23.015(e) is amended to read:

23 (e) If a public agency claims a [PERMANENT FUND] dividend on
24 behalf of an individual under this section, the public agency shall
25 elect 100 percent cash under AS 43.23.005(d) and hold the dividend in
26 trust for the individual. Money held in trust under this subsection
27 shall be invested by the commissioner in accordance with AS 37.10.070.

28 * Sec. 7. AS 43.23.015(f) is amended to read:

29 (f) A minor or an incompetent individual may not maintain a

1 claim against the state or an officer or employee of the state based
2 either on the manner in which the parent, guardian, or authorized
3 representative other than a public agency of the state managed or
4 disposed of permanent fund dividends received on behalf of the minor
5 or incompetent, or an election made or not made on that individual's
6 behalf under AS 43.23.005(d) [INDIVIDUAL].

7 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

8 (i) The permanent fund dividend application form shall be pre-
9 pared to allow an applicant, other than a person who is exempt under
10 AS 47.45.015(b), to elect to receive the dividend either in cash or as
11 an annuity credit.

12 * Sec. 9. AS 43.23.035 is amended to read:

13 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
14 any criminal penalties imposed by state law, if an individual is
15 convicted of a crime in connection with a false statement made in a
16 certification required under AS 43.23.015, and the conviction is not
17 reversed, that individual forfeits all permanent fund dividends cred-
18 ited or paid, together with any interest credited to that individual's
19 annuity account and is not eligible for a future permanent fund divi-
20 dend.

21 (b) If the commissioner determines that a cash [PERMANENT FUND]
22 dividend should not have been claimed by or paid to an individual, the
23 commissioner may use all collection procedures or remedies available
24 for collection of taxes under this title to recover the payment of a
25 permanent fund dividend that was improperly made. A notice of an
26 improperly paid dividend must be sent to the individual within 10
27 years after the improper payment. If notice is not sent within the
28 10-year period, proceedings may not be commenced in court for recovery
29 of the improper payment.

1 * Sec. 10. AS 43.23.035 is amended by adding a new subsection to read:

2 (c) If the commissioner determines that a permanent fund divi-
3 dend should not have been credited to an individual's annuity account,
4 the commissioner may, after notice and opportunity for hearing, direct
5 the commissioner of administration to debit the individual's annuity
6 account for the amount wrongly credited. If the credit is the fault
7 of the individual, the debit must be made within 10 years. If the
8 credit is the fault of the state, the debit must be made within three
9 years.

10 * Sec. 11. AS 43.23.055 is amended to read:

11 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall

12 (1) annually make payments to individuals who are 65 years
13 of age before January 1, 1986, and to individuals who elect to receive
14 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
15 DIVIDEND FUND];

16 (2) adopt regulations under the Administrative Procedure
17 Act (AS 44.62) that establish procedures and time limits for claiming
18 a permanent fund dividend or for electing an annuity credit; the de-
19 partment shall set the time limit for applications for permanent fund
20 dividends so that the number of eligible applicants is determined by
21 October 1 of the year for which the dividend is declared and permanent
22 fund dividends for a year are paid before April 30 of the year follow-
23 ing that year;

24 (3) adopt regulations under the Administrative Procedure
25 Act (AS 44.62) that establish procedures and time limits for an indi-
26 vidual upon emancipation or upon reaching majority to apply for perma-
27 nent fund dividends not credited or received during minority because
28 the parent, guardian, or other authorized representative did not apply
29 on behalf of the individual; [AND]

1 (4) assist residents of the state, particularly in rural
2 areas, who because of language, disability, or inaccessibility to
3 public transportation need assistance to establish eligibility and to
4 apply for permanent fund dividends; and

5 (5) provide the commissioner of administration with infor-
6 mation necessary to maintain individual annuity account records and
7 administer the annuity program.

8 * Sec. 12. AS 43.23.065 is amended to read:

9 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
10 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
11 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
12 attachment, or any other remedy for the collection of debt. This
13 exemption applies to an eligible individual's permanent fund dividend
14 both before and after payment is made to the individual. An exemption
15 is not available under this section for cash permanent fund dividend
16 payments [DIVIDENDS] taken to satisfy (1) child support obligations
17 required by court order or decision of the child support enforcement
18 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
19 individual to an agency of the state, unless the debt is contested and
20 an appeal is pending, or the time limit for filing an appeal has not
21 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-
22 051 or 12.55.100. A child support obligation under (1) of this sec-
23 tion has priority over a debt owed to an agency of the state, and a
24 permanent fund dividend may not be taken to satisfy a debt under (2)
25 of this section until any portion of the dividend necessary to satisfy
26 a child support obligation has been taken.

27 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

28 (b) The department shall require an individual to take 100
29 percent of the permanent fund dividend in cash if the department

1 receives a levy, execution, garnishment, attachment or other legal
2 remedy for the collection of a past due debt described in (a)(1) or
3 (2) of this section.

4 (c) The courts of this state may, as a condition of any civil
5 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-
6 55.100, require the defendant to take the defendant's permanent fund
7 dividend in cash.

8 * Sec. 14. AS 43.23.075 is amended to read:

9 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
10 determining the eligibility of an individual under a public assistance
11 program administered by the Department of Health and Social Services
12 in which eligibility for assistance is based on financial need, the
13 Department of Health and Social Services may not consider a permanent
14 fund dividend as income or resources received by the recipient of
15 public assistance or by a member of the recipient's household unless
16 required to do so by federal law or regulation. The Department of
17 Health and Social Services shall notify all recipients of public
18 assistance of the effects of [RECEIVING] a permanent fund dividend
19 credit or cash payment.

20 (b) An individual who is denied medical assistance under 42
21 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
22 the credit or receipt of a permanent fund dividend by the individual
23 or by a member of the individual's household is eligible for state-
24 funded medical assistance under the general relief assistance program
25 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,
26 for a period not to exceed four months, the same level of medical
27 assistance as the individual would have received under 42 U.S.C.
28 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
29 nent fund dividend program.

1 (c) An individual who is denied assistance solely because perma-
2 nent fund dividends credited to or received by the individual or by a
3 member of the individual's household are counted as income or re-
4 sources under federal law or regulation is eligible for cash assis-
5 tance under the general relief assistance program (AS 47.25.120 -
6 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
7 is entitled to receive, for a period not to exceed four months, the
8 same amount as the individual would have received under other public
9 assistance programs had there been no permanent fund dividend program.

10 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

11 (6) "permanent fund dividend" means a credit to an annuity
12 account or a cash payment under this chapter;

13 * Sec. 16. AS 43.23 is amended by adding new sections to read:

14 ARTICLE 2. ANNUITY PROGRAM.

15 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
16 investment fund is established as a separate fund in the state trea-
17 sury. The annuity investment fund consists of money transferred from
18 the dividend fund and income earned by the annuity investment fund.
19 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
20 dividends taken as annuity credits under this chapter shall be
21 annually transferred from the dividend fund to the annuity investment
22 fund.

23 (b) Money in the annuity investment fund shall be invested by
24 the commissioner of revenue in investments authorized under AS 39.-
25 35.110. The commissioner of administration shall credit the net
26 income of the annuity investment fund to the individual annuity ac-
27 counts.

28 (c) The legislature may annually appropriate to the Department
29 of Administration an amount sufficient to pay monthly annuity payments

1 for the subsequent fiscal year under AS 43.23.130 from the annuity
2 investment fund. Funds appropriated under this subsection shall be
3 transferred from the annuity investment fund to the Department of
4 Administration in order to meet the current demands of the annuity
5 program.

6 (d) The legislature may annually appropriate from the annuity
7 investment fund an amount sufficient to administer the annuity pro-
8 gram. Any costs of administration funded under this subsection shall
9 be allocated equitably among all individual annuity accounts.

10 (e) Notwithstanding AS 39.35.110 or (b) of this section, the
11 commissioner of revenue may invest all or part of the annuity invest-
12 ment fund in commercial insurance contracts purchased from insurance
13 companies that have a Best's policyholders' rating of A or better and
14 belong to Best's financial size Group XV at the time of purchase.

15 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
16 administered by the commissioner of administration. The commissioner
17 of administration shall adopt regulations necessary to implement the
18 annuity program.

19 (b) The commissioner of administration shall maintain records of
20 individual annuity accounts and make annuity payments under AS 43.23.-
21 130.

22 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
23 one or more annuity credits may receive an annuity upon reaching the
24 age of 65.

25 (b) An annuity under this section is a monthly payment based
26 upon the principal and accrued interest in the person's annuity ac-
27 count. An annuity shall be paid as a straight life annuity or other
28 payment plan authorized by the commissioner of the Department of
29 Administration. The size of the annuity may not vary on account of

1 the individual's sex.

2 (c) An individual need not be a resident of the state to be
3 eligible to received an annuity payment from the individual's account.

4 (d) Except as provided in (b) and (e) of this section, an annu-
5 ity account may not be assigned, sold, or otherwise transferred from
6 one individual to another.

7 (e) If a person elects to credit a permanent fund dividend to an
8 annuity account in a particular year, that person may make an irrevoc-
9 cable choice regarding death benefits with respect to that credit. If
10 a person dies before age 65 and that person has selected death bene-
11 fits in at least one year, a lump sum payment shall, subject to appro-
12 priation, be paid to the surviving spouse by right of survivorship
13 unless a different beneficiary was designated. When no spouse sur-
14 vives and no beneficiary is designated, the lump sum shall be paid to
15 the decedent's estate. The lump sum payment includes all dividends
16 credited to the person's annuity account in years in which death
17 benefits were selected and interest on those dividends. Dividends
18 credited to a person's annuity account in years for which death bene-
19 fits were not selected and interest on those dividends shall, if the
20 person dies before age 65, be distributed equitably among the annuity
21 accounts of all individuals for which death benefits were not select-
22 ed.

23 (f) An individual does not receive a vested property right in an
24 annuity payment until that payment is made. Notwithstanding this
25 section, the state is not obligated to provide annuity payments for
26 annuity credits granted under AS 43.23.005.

27 * Sec. 17. AS 47.45.010(a) is amended to read:

28 (a) A person who is 65 years of age or over, who resides in the
29 state for at least one year immediately preceding application for a

1 longevity bonus under this chapter may apply to the commissioner of
2 administration for qualification to receive a monthly bonus [OF \$250].

3 * Sec. 18. AS 47.45 is amended by adding a new section to read:

4 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
5 of this section, the monthly longevity bonus is equal to \$250, minus
6 the maximum possible straight life annuity for a person 65 years of
7 age under the annuity program (AS 43.23.110 - 43.23.130), as deter-
8 mined by the commissioner of administration.

9 (b) A person who is 65 years of age before January 1, 1986, is
10 entitled to the full longevity bonus payment without reduction for the
11 annuity program.

12 * Sec. 19. AS 47.45.070 is amended to read:

13 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
14 one who

15 (1) does not meet the age or residence requirements as
16 provided for under this chapter;

17 (2) meets the age and residence requirements of this chap-
18 ter but either is confined in a state or federal mental health insti-
19 tution or facility and is certified by the state as unable to manage
20 personal affairs, or resides in a nursing home as that term is defined
21 in AS 08.70.180; however, if that person, at the time of commitment or
22 commencement of residence, provided the principal support of a spouse,
23 the commissioner of administration may determine to pay the confined
24 person's bonus to the person's spouse until the spouse is qualified
25 for a bonus;

26 (3) is otherwise qualified but confined in a penal or
27 correctional institution or facility; upon completion of sentence or
28 upon the conferral of a pardon, parole or probation, the person may
29 make application; confinement outside the state shall be considered as

1 residence in the state if a person was convicted and sentenced from a
2 court in Alaska; revocation of parole or probation shall be cause for
3 immediate disqualification until release from confinement is again
4 effected;

5 (4) voluntarily leaves the state and remains absent from
6 the state for a continuous period of more than 180 days.

7 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

8 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
9 repealed June 30, 1985.

10 * Sec. 21. AS 43.23.045(c) is repealed.

11 * Sec. 22. This Act applies only to permanent fund dividends for years
12 beginning after December 31, 1985. Notwithstanding the amendments to
13 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
14 years shall be made under the law as it existed before the effective date
15 of this Act.

16 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

Offered: 3/11/85
Referred: Finance

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2

CS FOR SENATE BILL NO. 56 (Judiciary)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act amending the longevity bonus program and the
7 permanent fund dividend program, establishing an
8 annuity program; and providing for an effective
9 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) it is in the public interest to continue the longevity bonus
14 program; however, as oil reserves decline over the years, it will become
15 increasingly difficult to provide the benefits of the longevity bonus
16 program through the general fund; as a result, that program must be phased
17 out over the years;

18 (2) it is appropriate that individuals save for their own re-
19 tirement, and it is also appropriate that the state establish both means
20 and incentives for Alaska residents to set aside retirement funds; accord-
21 ingly, it is a purpose of this legislation to create an annuity program;

22 (3) many retired Alaskans have made their retirement plans in
23 reliance on the availability of both the existing longevity bonus and the
24 permanent fund dividend; accordingly, the legislature finds that it is
25 appropriate to continue both those programs for these individuals;

26 (4) the most suitable source of funds for the annuity program
27 created by this Act are those permanent fund earnings currently distributed
28 as dividends; therefore this Act applies the annual permanent fund dividend
29 of younger Alaskans to annuity accounts unless the individual alternatively

1 elects to receive cash; in so doing, this Act will promote wise stewardship
2 of the permanent fund by giving each participant a direct financial stake
3 in its long-term profitability; and

4 (5) neither the longevity bonus program, nor the annuity pro-
5 gram, should be viewed as a form of welfare; other state and federal pro-
6 grams are available to meet the basic necessities of life, and amounts
7 received by an individual under this Act are not calculated on the basis of
8 need.

9 * Sec. 2. AS 43.23.005(c) is amended to read:

10 (c) A parent, guardian, or other authorized representative may
11 claim a permanent fund dividend on behalf of an unemancipated minor or
12 on behalf of an incompetent individual who is eligible to receive a
13 dividend [PAYMENT] under this section and may elect to take the divi-
14 dend as an annuity share for the future benefit of the minor.

15 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

16 (d) A person who is eligible to receive a permanent fund divi-
17 dend under this section, or who is authorized to claim a dividend on
18 behalf of another under (c) of this section, may elect to receive cash
19 in lieu of an annuity share. Alternatively, a person may elect to
20 receive 25 percent, 50 percent, or 75 percent of the dividend in cash
21 and the remainder as an annuity share. A person who is 65 years of
22 age before January 1, 1986, may only receive cash and may not elect to
23 receive an annuity share.

24 * Sec. 4. AS 43.23.015(a) is amended to read:

25 (a) The commissioner shall adopt regulations under the Adminis-
26 trative Procedure Act (AS 44.62) establishing the process for de-
27 termining the eligibility of individuals for permanent fund dividends.
28 The commissioner may require an individual to provide proof of eli-
29 gibility, and the commissioner may use other information available

1 from other state departments or agencies to determine the eligibility
2 of an individual.

3 * Sec. 5. AS 43.23.015(b) is amended to read:

4 (b) The department shall prescribe and furnish an application
5 form for claiming a permanent fund dividend. The application must
6 contain a statement of eligibility and a certification of residency in
7 substantially the following form:

8 I certify that

9 () I am a state resident on the date of this application
10 and I have been a state resident for at least six months immediately
11 preceding the date of this application; or

12 () (name), the individual on whose behalf I am applying,
13 is a state resident and has been a state resident for at least six
14 months immediately preceding the date of this application.

15 I understand that a false claim of residency to obtain a perma-
16 nent fund dividend for myself or for another is a criminal offense and
17 that if convicted I will forfeit future permanent fund dividends and
18 that I will lose or must repay all permanent fund dividends that have
19 been credited or paid to me, appropriations allocated to my annuity
20 account in accordance with AS 43.23.110(b), and any accrued interest
21 in my annuity account. I understand that this penalty is in addition
22 to any criminal penalties imposed.

23

24 _____
25 (signature of individual, parent,
26 guardian, or other authorized
27 representative)

28 * Sec. 6. AS 43.23.015(e) is amended to read:

29 (e) If a public agency claims a [PERMANENT FUND] dividend on
behalf of an individual under this section, the public agency shall

1 elect 100 percent cash under AS 43.23.005(d) and hold the dividend in
2 trust for the individual. Money held in trust under this subsection
3 shall be invested by the commissioner in accordance with AS 37.10.070.

4 * Sec. 7. AS 43.23.015(f) is amended to read:

5 (f) A minor or an incompetent individual may not maintain a
6 claim against the state or an officer or employee of the state based
7 either on the manner in which the parent, guardian, or authorized
8 representative other than a public agency of the state managed or
9 disposed of permanent fund dividends received on behalf of the minor
10 or incompetent, or an election made or not made on that individual's
11 behalf under AS 43.23.005(d) [INDIVIDUAL].

12 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

13 (i) The permanent fund dividend application form shall be pre-
14 pared to allow an applicant, other than a person who is exempt under
15 AS 47.45.015(b), to elect to receive cash in lieu of a permanent fund
16 dividend.

17 * Sec. 9. AS 43.23.035 is amended to read:

18 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
19 any criminal penalties imposed by state law, if an individual is
20 convicted of a crime in connection with a false statement made in a
21 certification required under AS 43.23.015, and the conviction is not
22 reversed, that individual forfeits all permanent fund dividends cred-
23 ited or paid, together with any additional credits to that individu-
24 al's annuity account and is not eligible for a future permanent fund
25 dividend.

26 (b) If the commissioner determines that a cash [PERMANENT FUND]
27 dividend should not have been claimed by or paid to an individual, the
28 commissioner may use all collection procedures or remedies available
29 for collection of taxes under this title to recover the payment of a

1 permanent fund dividend that was improperly made. A notice of an
2 improperly paid dividend must be sent to the individual within 10
3 years after the improper payment. If notice is not sent within the
4 10-year period, proceedings may not be commenced in court for recovery
5 of the improper payment.

6 * Sec. 10. AS 43.23.035 is amended by adding a new subsection to read:

7 (c) If the commissioner determines that a permanent fund divi-
8 dend should not have been credited to an individual's annuity account,
9 the commissioner may, after notice and opportunity for hearing, direct
10 the commissioner of administration to debit the individual's annuity
11 account for the amount wrongly credited. If the credit is the fault
12 of the individual, the debit must be made within 10 years. If the
13 credit is the fault of the state, the debit must be made within three
14 years.

15 * Sec. 11. AS 43.23.055 is amended to read:

16 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall

17 (1) annually make payments to individuals who are 65 years
18 of age before January 1, 1986, and to individuals who elect to receive
19 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
20 DIVIDEND FUND];

21 (2) adopt regulations under the Administrative Procedure
22 Act (AS 44.62) that establish procedures and time limits for claiming
23 a permanent fund dividend or for electing an annuity share; the de-
24 partment shall set the time limit for applications for permanent fund
25 dividends so that the number of eligible applicants is determined by
26 October 1 of the year for which the dividend is declared and permanent
27 fund dividends for a year are paid before April 30 of the year follow-
28 ing that year;

29 (3) adopt regulations under the Administrative Procedure

1 Act (AS 44.62) that establish procedures and time limits for an indi-
2 vidual upon emancipation or upon reaching majority to apply for perma-
3 nent fund dividends not credited or received during minority because
4 the parent, guardian, or other authorized representative did not apply
5 on behalf of the individual; [AND]

6 (4) assist residents of the state, particularly in rural
7 areas, who because of language, disability, or inaccessibility to
8 public transportation need assistance to establish eligibility and to
9 apply for permanent fund dividends; and

10 (5) provide the commissioner of administration with infor-
11 mation necessary to maintain individual annuity account records and
12 administer the annuity program.

13 * Sec. 12. AS 43.23.065 is amended to read:

14 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
15 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
16 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
17 attachment, or any other remedy for the collection of debt. This
18 exemption applies to an eligible individual's permanent fund dividend
19 both before and after payment is made to the individual. An exemption
20 is not available under this section for cash permanent fund dividend
21 payments [DIVIDENDS] taken to satisfy (1) child support obligations
22 required by court order or decision of the child support enforcement
23 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
24 individual to an agency of the state, unless the debt is contested and
25 an appeal is pending, or the time limit for filing an appeal has not
26 expired; or (3) co rt ordered restitution under AS 12.55.045 - 12.55.-
27 051 or 12.55.100. A child support obligation under (1) of this sec-
28 tion has priority over a debt owed to an agency of the state, and a
29 permanent fund dividend may not be taken to satisfy a debt under (2)

1 of this section until any portion of the dividend necessary to satisfy
2 a child support obligation has been taken.

3 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

4 (b) The department shall require an individual to take 100
5 percent of the permanent fund dividend in cash if the department
6 receives a levy, execution, garnishment, attachment or other legal
7 remedy for the collection of a past due debt described in (a)(1) or
8 (2) of this section.

9 (c) The courts of this state may, as a condition of any civil
10 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-
11 55.100, require the defendant to take the defendant's permanent fund
12 dividend in cash.

13 * Sec. 14. AS 43.23.075 is amended to read:

14 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
15 determining the eligibility of an individual under a public assistance
16 program administered by the Department of Health and Social Services
17 in which eligibility for assistance is based on financial need, the
18 Department of Health and Social Services may not consider a permanent
19 fund dividend as income or resources received by the recipient of
20 public assistance or by a member of the recipient's household unless
21 required to do so by federal law or regulation. The Department of
22 Health and Social Services shall notify all recipients of public
23 assistance of the effects of [RECEIVING] a permanent fund dividend
24 credit or cash payment.

25 (b) An individual who is denied medical assistance under 42
26 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
27 the credit or receipt of a permanent fund dividend by the individual
28 or by a member of the individual's household is eligible for state-
29 funded medical assistance under the general relief assistance program

1 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,
2 for a period not to exceed four months, the same level of medical
3 assistance as the individual would have received under 42 U.S.C.
4 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
5 nent fund dividend program.

6 (c) An individual who is denied assistance solely because perma-
7 nent fund dividends credited to or received by the individual or by a
8 member of the individual's household are counted as income or re-
9 sources under federal law or regulation is eligible for cash assis-
10 tance under the general relief assistance program (AS 47.25.120 -
11 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
12 is entitled to receive, for a period not to exceed four months, the
13 same amount as the individual would have received under other public
14 assistance programs had there been no permanent fund dividend program.

15 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

16 (6) "permanent fund dividend" means a credit to an annuity
17 account under this chapter except that, as applied to an individual
18 who may receive only cash under AS 43.23.005(d) or 43.23.065, it means
19 a cash payment under this chapter;

20 * Sec. 16. AS 43.23 is amended by adding new sections to read:

21 ARTICLE 2. ANNUITY PROGRAM.

22 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
23 investment fund is established as a separate fund in the state trea-
24 sury. The annuity investment fund consists of money transferred from
25 the dividend fund, money appropriated to the annuity investment fund,
26 and income earned by the annuity investment fund. Notwithstanding
27 AS 37.13.145, an amount equal to the permanent fund dividends taken as
28 annuity credits under this chapter shall be annually transferred from
29 the dividend fund to the annuity investment fund.

1 (b) The legislature may appropriate either general funds, or
2 earnings of the undistributed income account in the Alaska permanent
3 fund, to the annuity investment fund. Funds appropriated under this
4 subsection shall be allocated to the individual annuity accounts of
5 those who are eligible to receive a dividend for that year and do not
6 elect cash under AS 43.23.005(d). The allocation shall be made in the
7 following manner:

8 (1) a credit will be made to the account of each individual
9 who is at least 18 years old;

10 (2) the credit for each person from the age of 18 through
11 age 35 is the base amount; the size of the base amount is determined
12 according to the amount of the appropriation;

13 (3) the credit for persons over the age of 35 is the base
14 amount, increased for each year of age over 35 up to and including the
15 age of 65; the incremental increase for each year of age is a percent-
16 age over the credit for the prior year of age; that percentage shall
17 be established with due regard for historical and projected permanent
18 fund returns on investment;

19 (4) if a person elects to receive a portion of the dividend
20 in cash under AS 43.23.005(d), the allocation to which that person is
21 otherwise entitled will be reduced proportionately.

22 (c) Money in the annuity investment fund shall be invested by
23 the commissioner of revenue in investments authorized under AS 39.-
24 35.110. The commissioner of administration shall credit the net
25 income of the annuity investment fund to the individual annuity ac-
26 counts.

27 (d) The legislature may annually appropriate to the Department
28 of Administration an amount sufficient to pay monthly annuity payments
29 for the subsequent fiscal year under AS 43.23.130 from the annuity

1 investment fund. Funds appropriated under this subsection shall be
2 transferred from the annuity investment fund to the Department of
3 Administration in order to meet the current demands of the annuity
4 program.

5 (e) The legislature may annually appropriate from the annuity
6 investment fund an amount sufficient to administer the annuity pro-
7 gram. Any costs of administration funded under this subsection shall
8 be allocated equitably among all individual annuity accounts.

9 (f) Notwithstanding AS 39.35.110 or (c) of this section, the
10 commissioner of revenue may invest all or part of the annuity invest-
11 ment fund in commercial insurance contracts purchased from insurance
12 companies that have a Best's policyholders' rating of A or better and
13 belong to Best's financial size Group XV at the time of purchase.

14 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
15 administered by the commissioner of administration. The commissioner
16 of administration shall adopt regulations necessary to implement the
17 annuity program.

18 (b) The commissioner of administration shall maintain records of
19 individual annuity accounts and make annuity payments under AS 43.23.-
20 130.

21 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
22 one or more annuity credits may receive an annuity upon reaching the
23 age of 65.

24 (b) An annuity under this section is a monthly payment based
25 upon the principal and accrued interest in the person's annuity ac-
26 count. An annuity shall be paid as a straight life annuity or other
27 payment plan authorized by the commissioner of the Department of
28 Administration. The size of the annuity may not vary on account of
29 the individual's sex.

1 (c) An individual need not be a resident of the state to be
2 eligible to received an annuity payment from the individual's account.

3 (d) Except as provided in (b) and (e) of this section, an annu-
4 ity account may not be assigned, sold, or otherwise transferred from
5 one individual to another.

6 (e) If a person dies before age 65, a lump sum payment shall,
7 subject to appropriation, be paid to the surviving spouse by right of
8 survivorship unless a different beneficiary was designated. When no
9 spouse survives and no beneficiary was designated, the lump sum shall
10 be paid to the decedent's estate. The lump sum payment shall include
11 all permanent fund dividend contributions made by the individual,
12 together with interest, but shall not include any credits to the
13 individual's account made pursuant to AS 43.23.110(b), or interest on
14 those credits.

15 (f) An individual does not receive a vested property right in an
16 annuity payment until that payment is made. Notwithstanding this
17 section, the state is not obligated to provide annuity payments for
18 annuity credits granted under AS 43.23.005.

19 * Sec. 17. AS 47.45.010(a) is amended to read:

20 (a) A person who is 65 years of age or over, who resides in the
21 state for at least one year immediately preceding application for a
22 longevity bonus under this chapter may apply to the commissioner of
23 administration for qualification to receive a monthly bonus [OF \$250].

24 * Sec. 18. AS 47.45 is amended by adding a new section to read:

25 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
26 of this section, the monthly longevity bonus is equal to \$250, in-
27 creased by three percent each year beginning in fiscal year 1987,
28 minus the maximum possible straight life annuity for a person 65 years
29 of age under the annuity program (AS 43.23.110 - 43.23.130), as

1 determined by the commissioner of administration.

2 (b) A person who is 65 years of age before January 1, 1986, is
3 entitled to the full longevity bonus payment without reduction for the
4 annuity program.

5 * Sec. 19. AS 47.45.070 is amended to read:

6 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
7 one who

8 (1) does not meet the age or residence requirements as
9 provided for under this chapter;

10 (2) meets the age and residence requirements of this chap-
11 ter but either is confined in a state or federal mental health insti-
12 tution or facility and is certified by the state as unable to manage
13 personal affairs, or resides in a nursing home as that term is defined
14 in AS 08.70.180; however, if that person, at the time of commitment or
15 commencement of residence, provided the principal support of a spouse,
16 the commissioner of administration may determine to pay the confined
17 person's bonus to the person's spouse until the spouse is qualified
18 for a bonus;

19 (3) is otherwise qualified but confined in a penal or
20 correctional institution or facility; upon completion of sentence or
21 upon the conferral of a pardon, parole or probation, the person may
22 make application; confinement outside the state shall be considered as
23 residence in the state if a person was convicted and sentenced from a
24 court in Alaska; revocation of parole or probation shall be cause for
25 immediate disqualification until release from confinement is again
26 effected;

27 (4) voluntarily leaves the state and remains absent from
28 the state for a continuous period of more than 180 days.

29 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

1 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
2 repealed June 30, 1985.

3 * Sec. 21. AS 43.23.045(c) is repealed.

4 * Sec. 22. This Act applies only to permanent fund dividends for years
5 beginning after December 31, 1985. Notwithstanding the amendments to
6 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
7 years shall be made under the law as it existed before the effective date
8 of this Act.

9 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).

Offered: 1/30/85
Referred: Judiciary

Original sponsors: Ray, Halford,
Bennett, et al

1 IN THE SENATE BY THE STATE AFFAIRS COMMITTEE
2 CS FOR SENATE BILL NO. 56 (State Affairs)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL
6 For an Act entitled: "An Act amending the longevity bonus program and the
7 permanent fund dividend program, establishing an
8 annuity program; and providing for an effective
9 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) it is in the public interest to continue the longevity bonus
14 program; however, as oil reserves decline over the years, it will become
15 increasingly difficult to provide the benefits of the longevity bonus
16 program through the general fund; as a result, that program must be phased
17 out over the years;

18 (2) it is appropriate that individuals save for their own re-
19 tirement, and it is also appropriate that the state establish both means
20 and incentives for Alaska residents to set aside retirement funds; accord-
21 ingly, it is a purpose of this legislation to create an annuity program,
22 and to encourage Alaskans to participate in that program by authorizing
23 general fund supplements that would result in annuity payments that are
24 larger than an individual could earn through private investment of the
25 permanent fund dividend;

26 (3) many retired Alaskans have made their retirement plans in
27 reliance on the availability of both the existing longevity bonus and the
28 permanent fund dividend; accordingly, the legislature finds that it is
29 appropriate to continue both those programs for these individuals;

1 (4) the most suitable source of funds for the annuity program
2 created by this Act are those permanent fund earnings currently distributed
3 as dividends; therefore this Act applies the annual permanent fund dividend
4 of younger Alaskans to annuity accounts unless the individual alternatively
5 elects to receive cash; in so doing, this Act will promote wise stewardship
6 of the permanent fund by giving each participant a direct financial stake
7 in its long-term profitability; and

8 (5) neither the longevity bonus program, nor the annuity pro-
9 gram, should be viewed as a form of welfare; other state and federal pro-
10 grams are available to meet the basic necessities of life, and amounts
11 received by an individual under this Act are not calculated on the basis of
12 need.

13 * Sec. 2. AS 43.23.005(c) is amended to read:

14 (c) A parent, guardian, or other authorized representative may
15 claim a permanent fund dividend on behalf of an unemancipated minor or
16 on behalf of an incompetent individual who is eligible to receive a
17 dividend [PAYMENT] under this section.

18 * Sec. 3. AS 43.23.005 is amended by adding a new subsection to read:

19 (d) A person who is eligible to receive a permanent fund divi-
20 dend under this section, or who is authorized to claim a dividend on
21 behalf of another under (c) of this section, may elect to receive cash
22 in lieu of an annuity share. Alternatively, a person may elect to
23 receive not less than 25 percent of the dividend in cash and the
24 remainder as an annuity credit. A person who is 65 years of age
25 before January 1, 1986, may only receive cash.

26 * Sec. 4. AS 43.23.015(a) is amended to read:

27 (a) The commissioner shall adopt regulations under the Adminis-
28 trative Procedure Act (AS 44.62) establishing the process for de-
29 termining the eligibility of individuals for permanent fund dividends.

1 The commissioner may require an individual to provide proof of eli-
2 gibility, and the commissioner may use other information available
3 from other state departments or agencies to determine the eligibility
4 of an individual.

5 * Sec. 5. AS 43.23.015(b) is amended to read:

6 (b) The department shall prescribe and furnish an application
7 form for claiming a permanent fund dividend. The application must
8 contain a statement of eligibility and a certification of residency in
9 substantially the following form:

10 I certify that

11 () I am a state resident on the date of this application
12 and I have been a state resident for at least six months immediately
13 preceding the date of this application; or

14 () (name), the individual on whose behalf I am applying,
15 is a state resident and has been a state resident for at least six
16 months immediately preceding the date of this application.

17 I understand that a false claim of residency to obtain a perma-
18 nent fund dividend for myself or for another is a criminal offense and
19 that if convicted I will forfeit future permanent fund dividends and
20 that I will lose or must repay all permanent fund dividends that have
21 been credited or paid to me, including any accrued interest in my
22 annuity account. I understand that this penalty is in addition to any
23 criminal penalties imposed.

24

25 _____
26 (signature of individual, parent,
27 guardian, or other authorized
28 representative)

29 * Sec. 6. AS 43.23.015(e) is amended to read:

(e) If a public agency claims a cash [PERMANENT FUND] dividend

1 on behalf of an individual under this section, the public agency shall
2 hold the dividend in trust for the individual. Money held in trust
3 under this subsection shall be invested by the commissioner in accor-
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5 * Sec. 7. AS 43.23.015(f) is amended to read:

6 (f) A minor or an incompetent individual may not maintain a
7 claim against the state or an officer or employee of the state based
8 either on the manner in which the parent, guardian, or authorized
9 representative other than a public agency of the state managed or
10 disposed of permanent fund dividends received on behalf of the minor
11 or incompetent, or an election made or not made on that individual's
12 behalf under AS 43.23.005(d) [INDIVIDUAL].

13 * Sec. 8. AS 43.23.015 is amended by adding a new subsection to read:

14 (i) The permanent fund dividend application form shall be pre-
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17 dividend.

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19 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
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22 certification required under AS 43.23.015, and the conviction is not
23 reversed, that individual forfeits all permanent fund dividends cred-
24 ited or paid, together with any additional credits to that indi-
25 vidual's annuity account and is not eligible for a future permanent
26 fund dividend.

27 (b) If the commissioner determines that a cash [PERMANENT FUND]
28 dividend should not have been claimed by or paid to an individual, the
29 commissioner may use all collection procedures or remedies available

1 for collection of taxes under this title to recover the payment of a
2 permanent fund dividend that was improperly made. A notice of an
3 improperly paid dividend must be sent to the individual within 10
4 years after the improper payment. If notice is not sent within the
5 10-year period, proceedings may not be commenced in court for recovery
6 of the improper payment.

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11 the commissioner of administration to debit the individual's annuity
12 account for the amount wrongly credited. If the credit is the fault
13 of the individual, the debit must be made within 10 years. If the
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15 years.

16 * Sec. 11. AS 43.23.055 is amended to read:

17 Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall
18 (1) annually make payments to individuals who are 65 years
19 of age before January 1, 1986, and to individuals who elect to receive
20 cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM THE
21 DIVIDEND FUND];

22 (2) adopt regulations under the Administrative Procedure
23 Act (AS 44.62) that establish procedures and time limits for claiming
24 a permanent fund dividend or for electing an annuity share; the de-
25 partment shall set the time limit for applications for permanent fund
26 dividends so that the number of eligible applicants is determined by
27 October 1 of the year for which the dividend is declared and permanent
28 fund dividends for a year are paid before April 30 of the year follow-
29 ing that year;

1 (3) adopt regulations under the Administrative Procedure
2 Act (AS 44.62) that establish procedures and time limits for an indi-
3 vidual upon emancipation or upon reaching majority to apply for perma-
4 nent fund dividends not credited or received during minority because
5 the parent, guardian, or other authorized representative did not apply
6 on behalf of the individual; [AND]

7 (4) assist residents of the state, particularly in rural
8 areas, who because of language, disability, or inaccessibility to
9 public transportation need assistance to establish eligibility and to
10 apply for permanent fund dividends; and

11 (5) provide the commissioner of administration with infor-
12 mation necessary to maintain individual annuity account records and
13 administer the annuity program.

14 * Sec. 12. AS 43.23.065 is amended to read:

15 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
16 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
17 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
18 attachment, or any other remedy for the collection of debt. This
19 exemption applies to an eligible individual's permanent fund dividend
20 both before and after payment is made to the individual. An exemption
21 is not available under this section for cash permanent fund dividend
22 payments [DIVIDENDS] taken to satisfy (1) child support obligations
23 required by court order or decision of the child support enforcement
24 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
25 individual to an agency of the state, unless the debt is contested and
26 an appeal is pending, or the time limit for filing an appeal has not
27 expired; or (3) court ordered restitution under AS 12.55.045 -
28 12.55.051 or 12.55.100. A child support obligation under (1) of this
29 section has priority over a debt owed to an agency of the state, and a

1 permanent fund dividend may not be taken to satisfy a debt under (2)
2 of this section until any portion of the dividend necessary to satisfy
3 a child support obligation has been taken.

4 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

5 (b) When an individual owes a past-due debt described in (a)(1)
6 of this section, the department shall require that the individual take
7 the individual's permanent fund dividend in cash.

8 (c) The courts of this state may, as a condition of any civil
9 judgment or restitution order under AS 12.55.045 - 12.55.051 or
10 12.55.100, require the defendant to take the defendant's permanent
11 fund dividend in cash.

12 * Sec. 14. AS 43.23.075 is amended to read:

13 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
14 determining the eligibility of an individual under a public assistance
15 program administered by the Department of Health and Social Services
16 in which eligibility for assistance is based on financial need, the
17 Department of Health and Social Services may not consider a permanent
18 fund dividend as income or resources received by the recipient of
19 public assistance or by a member of the recipient's household unless
20 required to do so by federal law or regulation. The Department of
21 Health and Social Services shall notify all recipients of public
22 assistance of the effects of [RECEIVING] a permanent fund dividend
23 credit or cash payment.

24 (b) An individual who is denied medical assistance under 42
25 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
26 the credit or receipt of a permanent fund dividend by the individual
27 or by a member of the individual's household is eligible for state-
28 funded medical assistance under the general relief assistance program
29 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,

1 for a period not to exceed four months, the same level of medical
2 assistance as the individual would have received under 42 U.S.C.
3 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
4 nent fund dividend program.

5 (c) An individual who is denied assistance solely because perma-
6 nent fund dividends credited to or received by the individual or by a
7 member of the individual's household are counted as income or re-
8 sources under federal law or regulation is eligible for cash assis-
9 tance under the general relief assistance program (AS 47.25.120 -
10 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
11 is entitled to receive, for a period not to exceed four months, the
12 same amount as the individual would have received under other public
13 assistance programs had there been no permanent fund dividend program.

14 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

15 (6) "permanent fund dividend" means a credit to an annuity
16 account under this chapter except that, as applied to an individual
17 who may receive only cash under AS 43.23.005(d) or 43.23.065, it means
18 a cash payment under this chapter;

19 * Sec. 16. AS 43.23 is amended by adding new sections to read:

20 ARTICLE 2. ANNUITY PROGRAM.

21 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
22 investment fund is established as a separate fund in the state trea-
23 sury. Notwithstanding AS 37.13.145, an amount equal to the permanent
24 fund dividends taken as annuity credits under this chapter shall be
25 annually transferred from the dividend fund to the annuity investment
26 fund.

27 (b) The legislature may appropriate either general funds, or
28 earnings of the undistributed income account in the Alaska permanent
29 fund, to the annuity investment fund. Funds appropriated under this

1 subsection shall be allocated to the individual annuity accounts of
2 those who are eligible to receive a dividend for that year and do not
3 elect cash under AS 43.23.005(d). The allocation shall be made in the
4 following manner:

5 (1) a credit will be made to the account of each individual
6 who is at least 18 years old;

7 (2) the credit for each person from the age of 18 through
8 age 35 is the base amount; the size of the base amount is determined
9 according to the amount of the appropriation;

10 (3) the credit for persons over the age of 35 is the base
11 amount, increased for each year of age over 35 up to and including the
12 age of 65; the incremental increase for each year of age is a percent-
13 age over the credit for the prior year of age; that percentage shall
14 be established with due regard for historical and projected permanent
15 fund returns on investment;

16 (4) if a person elects to receive a portion of the dividend
17 in cash under AS 43.23.005(d), the allocation to which that person is
18 otherwise entitled will be reduced proportionately.

19 (c) Money in the annuity investment fund shall be invested by
20 the commissioner of revenue in investments authorized under AS 39.-
21 35.110. The commissioner of administration shall credit individual
22 annuity accounts with earnings at a rate equal to the rate of interest
23 earned by the annuity investment fund.

24 (d) The legislature may annually appropriate to the Department
25 of Administration an amount sufficient to pay monthly annuity payments
26 for the subsequent fiscal year under AS 43.23.130 from the annuity
27 investment fund. Funds appropriated under this subsection shall be
28 transferred from the annuity investment fund to the Department of
29 Administration in order to meet the current demands of the annuity

1 program.

2 (e) The legislature may annually appropriate from the annuity
3 investment fund an amount sufficient to administer the annuity pro-
4 gram. Any costs of administration funded under this subsection shall
5 be allocated equitably among all individual annuity accounts.

6 (f) Notwithstanding AS 39.35.110 or (c) of this section, the
7 commissioner of revenue may invest all or part of the annuity invest-
8 ment fund in commercial insurance contracts.

9 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
10 administered by the commissioner of administration. The commissioner
11 of administration shall adopt regulations necessary to implement the
12 annuity program.

13 (b) The commissioner of administration shall maintain records of
14 individual annuity accounts and make annuity payments under AS 43.23.-
15 130.

16 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
17 one or more annuity credits may receive an annuity upon reaching the
18 age of 65.

19 (b) An annuity under this section is a monthly payment during
20 the life of the annuitant. The amount of the monthly payment shall be
21 based upon the principal and accrued interest in the person's annuity
22 account and shall be paid in the form of a straight life annuity. The
23 size of the annuity may not vary on account of the individual's sex.

24 (c) An individual need not be a resident of the state to be
25 eligible to received an annuity payment from the individual's account.

26 (d) Except as provided in (e) of this section, an annuity
27 account may not be assigned, sold, or otherwise transferred from one
28 individual to another. The right to receive an annuity under this
29 section terminates upon the death of the person who is eligible for

1 the annuity and does not pass to that person's estate.

2 (e) If a person dies before age 65, a lump sum payment shall,
3 subject to appropriation, be paid to the surviving spouse by right of
4 survivorship unless a different beneficiary was designated. When no
5 spouse survives and no beneficiary was designated, the lump sum shall
6 be paid to the decedent's estate. The lump sum payment shall include
7 all permanent fund dividend contributions made by the individual,
8 together with interest, but shall not include any credits to the
9 individual's account made pursuant to AS 43.23.110(b), or interest on
10 those credits.

11 (f) An individual does not receive a vested property right in an
12 annuity payment until that payment is made. Notwithstanding this
13 section, the state is not obligated to provide annuity payments for
14 annuity credits granted under AS 43.23.005.

15 * Sec. 17. AS 47.45.010(a) is amended to read:

16 (a) A person who is 65 years of age or over, who resides in the
17 state for at least one year immediately preceding application for a
18 longevity bonus under this chapter may apply to the commissioner of
19 administration for qualification to receive a monthly bonus [OF \$250].

20 * Sec. 18. AS 47.45 is amended by adding a new section to read:

21 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
22 of this section, the monthly longevity bonus is equal to \$250, in-
23 creased by three percent each year beginning in fiscal year 1987,
24 minus the maximum possible annuity for a person 65 years of age under
25 the annuity program (AS 43.23.110 - 43.23.130), as determined by the
26 commissioner of administration.

27 (b) A person who is 65 years of age before January 1, 1986, is
28 entitled to the full longevity bonus payment without reduction for the
29 annuity program.

1 * Sec. 19. AS 47.45.070 is amended to read:

2 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
3 one who

4 (1) does not meet the age or residence requirements as
5 provided for under this chapter;

6 (2) meets the age and residence requirements of this chap-
7 ter but either is confined in a state or federal mental health insti-
8 tution or facility and is certified by the state as unable to manage
9 personal affairs, or resides in a nursing home as that term is defined
10 in AS 08.70.180; however, if that person, at the time of commitment or
11 commencement of residence, provided the principal support of a spouse,
12 the commissioner of administration may determine to pay the confined
13 person's bonus to the person's spouse until the spouse is qualified
14 for a bonus;

15 (3) is otherwise qualified but confined in a penal or
16 correctional institution or facility; upon completion of sentence or
17 upon the conferral of a pardon, parole or probation, the person may
18 make application; confinement outside the state shall be considered as
19 residence in the state if a person was convicted and sentenced from a
20 court in Alaska; revocation of parole or probation shall be cause for
21 immediate disqualification until release from confinement is again
22 effected;

23 (4) voluntarily leaves the state and remains absent from
24 the state for a continuous period of more than 180 days.

25 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

26 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
27 repealed June 30, 1985.

28 * Sec. 21. AS 43.23.045(c) is repealed.

29 * Sec. 22. This Act applies only to permanent fund dividends for years

1 beginning after December 31, 1985. Notwithstanding the amendments to
2 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
3 years shall be made under the law as it existed before the effective date
4 of this Act.

5 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
6 10.070(c).

Introduced: 1/15/85
Referred: State Affairs and
Finance

BY RAY, HALFORD, BENNETT, KERTTULA, KELLY,
ZIEGLER, FAIKS, V.FISCHER, SACKETT,
STURGULEWSKI, DEVRIES, FERGUSON,
P.FISCHER, ELIASON, ABOOD, FAHRENKAMP,
AND COGHILL

1 IN THE SENATE

2

SENATE BILL NO. 56

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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20 and incentives for Alaska residents to set aside retirement funds; accord-
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5 the parent, guardian, or other authorized representative did not apply
6 on behalf of the individual; [AND]

7 (4) assist residents of the state, particularly in rural
8 areas, who because of language, disability, or inaccessibility to
9 public transportation need assistance to establish eligibility and to
10 apply for permanent fund dividends; and

11 (5) provide the commissioner of administration with infor-
12 mation necessary to maintain individual annuity account records and
13 administer the annuity program.

14 * Sec. 12. AS 43.23.065 is amended to read:

15 Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. Fifty
16 percent of a cash [THE ANNUAL] permanent fund dividend payment [PAY-
17 ABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment,
18 attachment, or any other remedy for the collection of debt. This
19 exemption applies to an eligible individual's permanent fund dividend
20 both before and after payment is made to the individual. An exemption
21 is not available under this section for cash permanent fund dividend
22 payments [DIVIDENDS] taken to satisfy (1) child support obligations
23 required by court order or decision of the child support enforcement
24 agency under AS 47.23.140 - 47.23.220; (2) a debt owed by an eligible
25 individual to an agency of the state, unless the debt is contested and
26 an appeal is pending, or the time limit for filing an appeal has not
27 expired; or (3) court ordered restitution under AS 12.55.045 -
28 12.55.051 or 12.55.100. A child support obligation under (1) of this
29 section has priority over a debt owed to an agency of the state, and a

1 permanent fund dividend may not be taken to satisfy a debt under (2)
2 of this section until any portion of the dividend necessary to satisfy
3 a child support obligation has been taken.

4 * Sec. 13. AS 43.23.065 is amended by adding new subsections to read:

5 (b) When an individual owes a past-due debt described in (a)(1)
6 of this section, the department shall require that the individual take
7 the individual's permanent fund dividend in cash.

8 (c) The courts of this state may, as a condition of any civil
9 judgment or restitution order under AS 12.55.045 - 12.55.051 or
10 12.55.100, require the defendant to take the defendant's permanent
11 fund dividend in cash.

12 * Sec. 14. AS 43.23.075 is amended to read:

13 Sec. 43.23.075. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) In
14 determining the eligibility of an individual under a public assistance
15 program administered by the Department of Health and Social Services
16 in which eligibility for assistance is based on financial need, the
17 Department of Health and Social Services may not consider a permanent
18 fund dividend as income or resources received by the recipient of
19 public assistance or by a member of the recipient's household unless
20 required to do so by federal law or regulation. The Department of
21 Health and Social Services shall notify all recipients of public
22 assistance of the effects of [RECEIVING] a permanent fund dividend
23 credit or cash payment.

24 (b) An individual who is denied medical assistance under 42
25 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
26 the credit or receipt of a permanent fund dividend by the individual
27 or by a member of the individual's household is eligible for state-
28 funded medical assistance under the general relief assistance program
29 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,

1 for a period not to exceed four months, the same level of medical
2 assistance as the individual would have received under 42 U.S.C.
3 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
4 nent fund dividend program.

5 (c) An individual who is denied assistance solely because perma-
6 nent fund dividends credited to or received by the individual or by a
7 member of the individual's household are counted as income or re-
8 sources under federal law or regulation is eligible for cash assis-
9 tance under the general relief assistance program (AS 47.25.120 -
10 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual
11 is entitled to receive, for a period not to exceed four months, the
12 same amount as the individual would have received under other public
13 assistance programs had there been no permanent fund dividend program.

14 * Sec. 15. AS 43.23.095(6) is repealed and reenacted to read:

15 (6) "permanent fund dividend" means a credit to an annuity
16 account or a cash payment under this chapter;

17 * Sec. 16. AS 43.23 is amended by adding new sections to read:

18 ARTICLE 2. ANNUITY PROGRAM.

19 Sec. 43.23.110. ANNUITY INVESTMENT FUND. (a) The annuity
20 investment fund is established as a separate fund in the state trea-
21 sury. Notwithstanding AS 37.13.145, an amount equal to the permanent
22 fund dividends taken as annuity credits under this chapter shall be
23 annually transferred from the dividend fund to the annuity investment
24 fund.

25 (b) The legislature may appropriate either general funds, or
26 earnings of the undistributed income account in the Alaska permanent
27 fund, to the annuity investment fund. Funds appropriated under this
28 subsection shall be allocated to the individual annuity accounts of
29 those who are eligible to receive a dividend for that year and do not

1 elect cash under AS 43.23.005(d). The allocation shall be made in the
2 following manner:

3 (1) a credit will be made to the account of each individual
4 who is at least 18 years old;

5 (2) the credit for each person from the age of 18 through
6 age 35 is the base amount; the size of the base amount is determined
7 according to the amount of the appropriation;

8 (3) the credit for persons over the age of 35 is the base
9 amount, increased for each year of age over 35 up to and including the
10 age of 65; the incremental increase for each year of age is a percent-
11 age over the credit for the prior year of age; that percentage shall
12 be established with due regard for historical and projected permanent
13 fund returns on investment;

14 (4) if a person elects to receive a portion of the dividend
15 in cash under AS 43.23.005(d), the allocation to which that person is
16 otherwise entitled will be reduced proportionately.

17 (c) Money in the annuity investment fund shall be invested by
18 the commissioner of revenue in investments authorized under AS 39.-
19 35.110. The commissioner of administration shall credit individual
20 annuity accounts with earnings at a rate equal to the rate of interest
21 earned by the annuity investment fund.

22 (d) The legislature may annually appropriate to the Department
23 of Administration an amount sufficient to pay monthly annuity payments
24 for the subsequent fiscal year under AS 43.23.130 from the annuity
25 investment fund. Funds appropriated under this subsection shall be
26 transferred from the annuity investment fund to the Department of
27 Administration in order to meet the current demands of the annuity
28 program.

29 (e) The legislature may annually appropriate from the annuity

1 investment fund an amount sufficient to administer the annuity pro-
2 gram. Any costs of administration funded under this subsection shall
3 be allocated equitably among all individual annuity accounts.

4 (f) Notwithstanding AS 39.35.110 or (c) of this section, the
5 commissioner of revenue may invest all or part of the annuity invest-
6 ment fund in commercial insurance contracts.

7 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is
8 administered by the commissioner of administration. The commissioner
9 of administration shall adopt regulations necessary to implement the
10 annuity program.

11 (b) The commissioner of administration shall maintain records of
12 individual annuity accounts and make annuity payments under AS 43.23.-
13 130.

14 Sec. 43.23.130. PAYMENT OF ANNUITIES. (a) An individual with
15 one or more annuity credits may receive an annuity upon reaching the
16 age of 65.

17 (b) An annuity under this section is a monthly payment during
18 the life of the annuitant. The amount of the monthly payment shall be
19 based upon the principal and accrued interest in the person's annuity
20 account and shall be paid in the form of a straight life annuity. The
21 size of the annuity may not vary on account of the individual's sex.

22 (c) An individual need not be a resident of the state to be
23 eligible to received an annuity payment from the individual's account.

24 (d) An annuity share may not be assigned, sold, or otherwise
25 transferred from one individual to another. The right to receive an
26 annuity under this section terminates upon the death of the person who
27 is eligible for the annuity and does not pass to that person's estate.

28 (e) If a person dies before age 65, that person's account shall
29 be distributed equitably among the annuity accounts of all individuals

1 of the same age.

2 (f) An individual does not receive a vested property right in an
3 annuity payment until that payment is made. Notwithstanding this
4 section, the state is not obligated to provide annuity payments for
5 annuity credits granted under AS 43.23.005.

6 * Sec. 17. AS 47.45.010(a) is amended to read:

7 (a) A person who is 65 years of age or over, who resides in the
8 state for at least one year immediately preceding application for a
9 longevity bonus under this chapter may apply to the commissioner of
10 administration for qualification to receive a monthly bonus [OF \$250].

11 * Sec. 18. AS 47.45 is amended by adding a new section to read:

12 Sec. 47.45.015. AMOUNT OF BONUS. (a) Except as provided in (b)
13 of this section, the monthly longevity bonus is equal to \$250, in-
14 creased by three percent each year beginning in fiscal year 1987,
15 minus the maximum possible annuity for a person 65 years of age under
16 the annuity program (AS 43.23.110 - 43.23.130), as determined by the
17 commissioner of administration.

18 (b) A person who is 65 years of age before January 1, 1986, is
19 entitled to the full longevity bonus payment without reduction for the
20 annuity program.

21 * Sec. 19. AS 47.45.070 is amended to read:

22 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is
23 one who

24 (1) does not meet the age or residence requirements as
25 provided for under this chapter;

26 (2) meets the age and residence requirements of this chap-
27 ter but either is confined in a state or federal mental health insti-
28 tution or facility and is certified by the state as unable to manage
29 personal affairs, or resides in a nursing home as that term is defined

1 in AS 08.70.180; however, if that person, at the time of commitment or
2 commencement of residence, provided the principal support of a spouse,
3 the commissioner of administration may determine to pay the confined
4 person's bonus to the person's spouse until the spouse is qualified
5 for a bonus;

6 (3) is otherwise qualified but confined in a penal or
7 correctional institution or facility; upon completion of sentence or
8 upon the conferral of a pardon, parole or probation, the person may
9 make application; confinement outside the state shall be considered as
10 residence in the state if a person was convicted and sentenced from a
11 court in Alaska; revocation of parole or probation shall be cause for
12 immediate disqualification until release from confinement is again
13 effected;

14 (4) voluntarily leaves the state and remains absent from
15 the state for a continuous period of more than 180 days.

16 * Sec. 20. Section 11, ch. 38, SLA 1984 is amended to read:

17 Sec. 11. Sections 7 and 9 of this [THIS] Act [AND AS 47.45] are
18 repealed June 30, 1985.

19 * Sec. 21. AS 43.23.045(c) is repealed.

20 * Sec. 22. This Act applies only to permanent fund dividends for years
21 beginning after December 31, 1985. Notwithstanding the amendments to
22 AS 43.23 made by this Act, permanent fund dividends for 1985 and prior
23 years shall be made under the law as it existed before the effective date
24 of this Act.

25 * Sec. 23. This Act takes effect immediately in accordance with AS 01.-
26 10.070(c).

COST COMPARISONS OF LONGEVITY BONUS LEGISLATION

Attached is an amendment to HB 239, the stair-stepping alternative program to replace the present, temporary Alaska Longevity Bonus Program. This amendment would begin the stair-step increments in FY 87 (July 1, 1986) rather than FY 92 (July 1, 1991).

For the information of the committee, the yearly costs* of the FY 87 stair-step alternative, the FY 92 stair-step alternative and the annuity alternative (CSSB 56), that passed the Senate March 21, are:

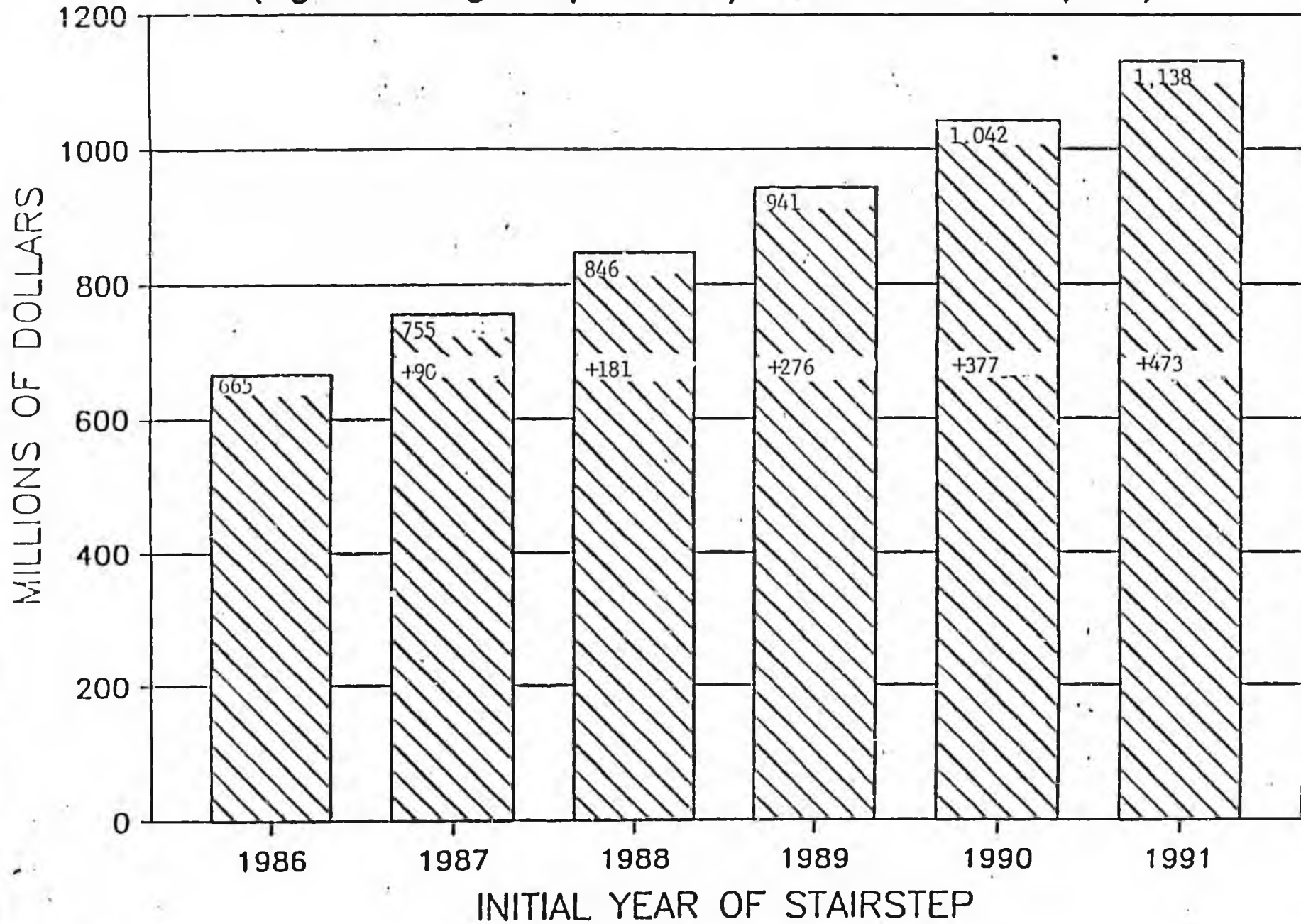
In Millions of Dollars

Fiscal Year	HB 239 (stair-stepping)	HB 239 (with proposed amendment)	Savings with amendment	Cumulative Savings with amendment	CSSB 56 (Annuity)
86	50.2	50.2	0.0		50.2
87	53.3	48.0	(5.3)		53.1
88	56.3	45.8	(10.5)		55.7
89	59.5	43.6	(15.9)		58.2
90	62.7	41.4	(21.3)		60.3
91	65.7	39.2	(26.5)	(79.5)	61.7
92	62.5	37.1	(25.4)		62.4
93	59.7	34.9	(24.8)		62.5
94	56.9	32.8	(24.1)		61.7
95	53.9	30.6	(23.3)		60.0
96	51.0	28.5	(22.5)	(199.6)	56.9
97	48.1	26.4	(21.7)		52.1
98	45.2	24.4	(20.8)		45.9
99	42.4	22.4	(20.0)		37.6
00	39.6	20.4	(19.2)		27.0
01	36.8	18.6	(18.2)	(299.5)	15.7
02	34.0	16.7	(17.3)		14.0
03	31.3	15.0	(16.3)		12.5
04	28.7	13.4	(15.3)		11.0
05	26.2	11.8	(14.4)		9.6
06	23.7	10.4	(13.3)	(376.1)	8.4
07	21.3	9.0	(12.3)		7.2
08	19.1	7.8	(11.3)		6.2
09	17.0	6.7	(10.3)		5.3
10	15.0	5.7	(9.3)		4.3
11	12.7	4.9	(7.8)	(427.1)	3.6
TOTALS	1072.8	445.7	(427.1)		903.1
TOTALS as of 2034	1138.0	665.0	(473.0)		916.5

* These costs are in nominal dollars and are from projections made by the Office of Management and Budget on March 27. There may be minor modifications of numbers as they continue to refine the computer program but these numbers give a fairly accurate picture of future costs.

STAIRSTEP PROGRAM COSTS, FY 1986-2034

(age 66 eligibility on July 1 of indicated year)



LONGEVITY BONUS
Analysis of Survey Returns

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Annuity Program	Present Temporary Program	Stair- Stepping Program	Needs- Based Program	None of Above
34 (36.6%)	23 (24.7%)	19 (20.4%)	8 (8.6%)	2 (2.2%)

COMMENTS

Fifty-seven (61.3%) persons included comments on the longevity bonus in general or on specific programs. Some sample comments are listed below.

Regarding Annuity Program

- * "I vote for the annuity program as I think it may be the best plan. However, it is difficult to take seriously the Legislature's concern for the program's cost for this worthy bonus when I realize that they have authorized \$147 million on the Susitna Hydro Project--for study!! Think about it please!!
- * "This program would help those who are nearing 65 also, and who have lived in Alaska nearly 40 years. This is more in line with intent of original program. I'm opposed to needs-based program (welfare)."
- * "A program that becomes self-sustaining is a good program."
- * "...best program. But whether or not people would do it (willingly) is the question"...

Regarding Stair-Stepping Program

- * "This, I believe, is the best of a bad situation. This program will in time have to be phased out. It probably should have never been started; however, it would be very cruel and heartless to withdraw it from those who are currently receiving it."
- * "This program seems to be about the fairest one, to me."
- * "...seems that it's the most stable of the four"...

COST COMPARISONS OF LONGEVITY BONUS LEGISLATION

SB 56

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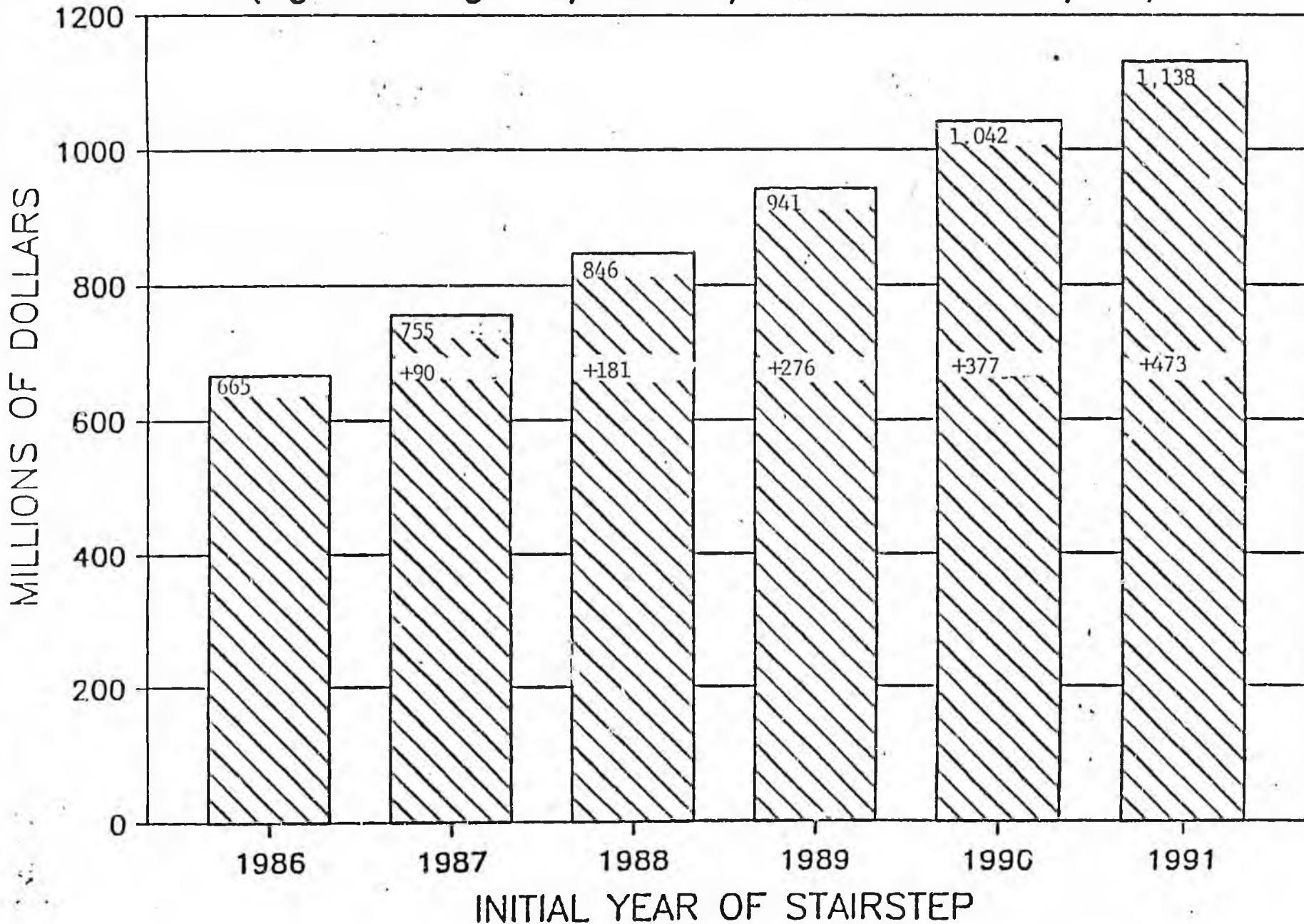
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NOTE: PLEASE REFER TO YOUR HB 239 FILE FOR ADDITIONAL BACKUP, INCLUDING A SUMMARY OF THE REPORT OF THE STATE SPECIAL COMMITTEE ON THE LONGEVITY BONUS. THIS REPORT IS THE PRINCIPAL DOCUMENT IN SUPPORT OF THE ANNUITY PROPOSAL. EVERY MEMBER WAS SENT A COPY ON FEBRUARY 1st. IF YOU WOULD LIKE ANOTHER COPY OF THE FULL REPORT, PLEASE NOTIFY STAFF.

FISCAL IMPACT OF CS SB 56 (FIN)

COSR34NN

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----			--COSTS (MILLIONS)-- CSSB56 (fin.)
	TARGET	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB	TOTAL 65 & OVER	65 BEFORE 1986	65 AFTER 1985	
1986	\$250.00	\$ 0.00	\$250.00	16,744	15,839	1,705	\$58.2
1987	\$250.00	\$4.37	\$245.63	17,768	14,349	3,419	\$53.1
1988	\$250.00	\$9.70	\$240.30	18,769	13,660	5,109	\$55.7
1989	\$250.00	\$16.03	\$233.97	19,828	12,974	6,854	\$58.2
1990	\$250.00	\$23.55	\$226.45	20,913	12,293	8,620	\$60.3
1991	\$250.00	\$32.50	\$217.50	21,908	11,616	10,292	\$61.7
1992	\$250.00	\$43.06	\$206.94	22,849	10,943	11,906	\$62.4
1993	\$250.00	\$55.44	\$194.56	23,861	10,273	13,588	\$62.5
1994	\$250.00	\$69.89	\$180.11	24,799	9,606	15,193	\$61.7
1995	\$250.00	\$86.72	\$163.28	25,891	8,945	16,946	\$60.0
1996	\$250.00	\$106.27	\$143.73	26,863	8,291	18,572	\$56.9
1997	\$250.00	\$128.70	\$121.30	27,692	7,644	20,048	\$52.1
1998	\$250.00	\$154.42	\$95.58	28,657	7,012	21,645	\$45.9
1999	\$250.00	\$183.86	\$66.14	29,556	6,396	23,160	\$37.6
2000	\$250.00	\$217.46	\$32.54	30,511	5,799	24,712	\$27.0
2001	\$250.00	\$255.10	\$ 0.00	31,459	5,225	26,234	\$15.7
2002	\$250.00	\$298.96	\$ 0.00	32,440	4,676	27,764	\$14.0
2003	\$250.00	\$347.74	\$ 0.00	33,448	4,156	29,292	\$12.5
2004	\$250.00	\$402.63	\$ 0.00	34,483	3,666	30,817	\$11.0
2005	\$250.00	\$464.27	\$ 0.00	35,721	3,210	32,511	\$9.6
2006	\$250.00	\$533.39	\$ 0.00	37,130	2,788	34,342	\$8.4
2007	\$250.00	\$610.77	\$ 0.00	38,489	2,402	36,087	\$7.2
2008	\$250.00	\$697.21	\$ 0.00	40,309	2,050	38,259	\$6.2
2009	\$250.00	\$793.66	\$ 0.00	42,194	1,778	40,416	\$5.3
2010	\$250.00	\$901.13	\$ 0.00	44,012	1,449	42,563	\$4.3
2011	\$250.00	\$1,020.72	\$ 0.00	45,000	1,213	43,787	\$3.6
2012	\$250.00		\$ 0.00	45,000	1,003	43,997	\$3.0
2013	\$250.00		\$ 0.00	45,000	819	44,181	\$2.5
2014	\$250.00		\$ 0.00	45,000	658	44,342	\$2.0
2015	\$250.00		\$ 0.00	45,000	521	44,479	\$1.6
2016	\$250.00		\$ 0.00	45,000	405	44,595	\$1.2
2017	\$250.00		\$ 0.00	45,000	309	44,691	\$.9
2018	\$250.00		\$ 0.00	45,000	231	44,769	\$.7
2019	\$250.00		\$ 0.00	45,000	169	44,831	\$.5
2020	\$250.00	continues	\$ 0.00	45,000	114	44,886	\$.3
2021	\$250.00	to	\$ 0.00	45,000	76	44,924	\$.2
2022	\$250.00	increase	\$ 0.00	45,000	48	44,952	\$.1
2023	\$250.00		\$ 0.00	45,000	31	44,969	\$.1
2024	\$250.00		\$ 0.00	45,000	18	44,982	\$.1
2025	\$250.00		\$ 0.00	45,000	10	44,990	\$.0
2026	\$250.00		\$ 0.00	45,000	5	44,995	\$.0
2027	\$250.00		\$ 0.00	45,000	3	44,997	\$.0
2028	\$250.00		\$ 0.00	45,000	1	44,999	\$.0
2029	\$250.00		\$ 0.00	45,000		45,000	\$.0
2030	\$250.00		\$ 0.00	45,000		45,000	\$.0
2031	\$250.00		\$ 0.00	45,000		45,000	\$.0
2032	\$250.00		\$ 0.00	45,000		45,000	\$.0
2033	\$250.00		\$ 0.00	45,000		45,000	\$.0
2034	\$250.00		\$ 0.00	45,000		45,000	\$.0

	NOMINAL DOLLARS	\$916.5
TOTAL COSTS	CONSTANT 1985 DOLLARS	\$566.1
	PRESENT VALUE IN 1985	\$464.1

Prepared by the Division of Strategic Planning, OMB. 3/27/1985

CSSB 56 (State Affairs) [HB 210]	CSSB 56 (Judiciary)	CSSB 56(Finance)	HB 222
Annuity accounts may not be transferred and right to annuity ends when person dies unless person dies before age 65. Then, beneficiary gets lump sum payment of contributions plus interest.	Same as CSSB 56 (State Affairs)	A person may elect death benefits to be paid to designated beneficiary or estate.	Same as CSSB 56 (State Affairs) except a person who leaves the state before age 65 may also elect a lump sum payment.
There is no vested interest in the annuity until payment is made - the annuity is not an entitlement.	Same	Same	Same
Longevity bonus payment equals \$250, plus three % each year, minus the maximum possible annuity payment, thus phasing out the bonus	Same	Same, except no three % increase.	Same, except no three % increase.
Nursing home residents become ineligible for longevity bonus	Same	Same	Same
No such provision	No such provision	No such provision	A person who has a gross income over \$25,000 in a year must choose either PFD or longevity bonus, but may not get both in that year.
Longevity bonus funded from general fund.	Same	Same	Longevity bonus funded from automatic transfer from undistributed income account in the permanent fund

SUMMARY only. Please refer to Legislative Counsel's comparison for complete details.

SUBSTANTIVE COMPARISON OF LONGEVITY BONUS
BILLS

CSSB 56 (State Affairs) [HB 210]	CSSB 56 (Judiciary)	CSSB 56 (Finance)	HB 222
<p>PFID applicants receive an annuity credit unless they elect at least 25% in cash</p>	<p>Same, except, if cash is elected, it must be 25, 50, 75, or 100%.</p>	<p>There is no presumption of an annuity credit -- you must elect either cash or an annuity credit</p>	<p>There is no election -- you automatically receive 50% of the PFID in cash and 50% as an annuity credit.</p>
<p>No part of the cash PFID is exempt from garnishment to pay court ordered restitution.</p>	<p>Same</p>	<p>Same</p>	<p>Same</p>
<p>A person who is 65 before January 1, 1986 must take cash and may not take an annuity credit.</p>	<p>Same</p>	<p>Same</p>	<p>Same, except the date is July 1, 1986.</p>
<p>A person may be forced to elect cash if there is a past due child support obligation, court ordered restitution, or civil judgment.</p>	<p>Same, but also for a debt owed to the state.</p>	<p>Same as Judiciary version</p>	<p>No such provision because no election under HB 222.</p>
<p>Annuity investment fund established to consist of contributions of PFID money and legislative appropriations of "front-loading" money.</p>	<p>Same</p>	<p>Same, except the front-loading provisions are deleted.</p>	<p>Same as CSSB 56 (State Affairs)</p>
<p>Front-loading money goes to annuity accounts of people over 18. 18 - 35 get same amount, 35 - 65 get incrementally more.</p>	<p>Same</p>	<p>No front-loading provisions.</p>	<p>Same as CSSB 56 (State Affairs)</p>
<p>A person who has elected annuity credits is eligible for payments at age 65 in the form of a straight life annuity.</p>	<p>Same, except comm. of administration may authorize payment plans other than straight life.</p>	<p>Same as CSSB 56 (Judiciary)</p>	<p>Same as CSSB 56 (State Affairs)</p>

SENATE
LETTER OF INTENT
ON CSSB 56(Fin)

The legislature is aware that changes in the federal statutory scheme for determining eligibility for assistance programs have created problems for individuals newly eligible to receive the Alaska Longevity Bonus. Specifically, eligibility for the Bonus is resulting in some needy individuals losing the benefits for which they were previously eligible. The Department of Health and Social Services has informed the legislature that they can rectify the most serious aspects of the problem if sufficient funds are appropriated, and if the legislature expresses its intent that the Department do so. The funds needed are estimated to be \$413,847.00. This letter is evidence of that legislative intent.

Prior to the last Congress, federal law provided that income from the Alaska Longevity Bonus program would not be counted as income for the purpose of determining eligibility for Supplemental Social Security (SSI). 42 U.S.C. 1382(b)(2)(B). Last year, the Alaska Longevity Bonus program was amended to open the program up to any individual over age 65 who had resided in the state for one year. Congress amended the above-cited statute to provide that income from the bonus would not be counted only if an individual became eligible prior to September 30, 1985 and if that individual met the 25 year residency requirement of the former law. Thus, individuals who either do not meet the 25 year requirement or who become eligible for the bonus after September 30, 1985 will have the bonus counted as income for SSI and, as a result, for medicaid. Further, even if an individual does not apply for the bonus, the bonus is treated as a "prior resource" which must be exhausted before assistance can be claimed.

For those individuals without medical problems, these changes in the law mean that what they receive from the bonus is deducted from what they would have received from assistance programs. They are not worse off, but they do not receive the benefit of the bonus. However, if receipt of the bonus makes them ineligible for assistance, they also lose eligibility for medicaid, and receipt of the bonus does not offset lost medical benefits. SB 56 provides that a resident of a nursing home is not eligible for the bonus, thus nursing home residents are protected from losing medical benefits because of the bonus. It is the individual who is not in a nursing home, but who receives medical assistance through medicaid, who may be harmed by receipt of the bonus.

It is the intent of the legislature that the Department of Health and Social Services take steps to insure that eligibility for the Alaska Longevity Bonus not deprive needy individuals of necessary medical care.

Adopted by the Senate
March 21, 1985.

Comparison of various annuity bills

STATE OF ALASKA
THE LEGISLATURE

POUCHY STATE CAPITAL
JUNEAU, ALASKA 99801
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 26, 1985

SUBJECT: Longevity bonus bills -- sectional analysis
(SB 56, HB 210, and HB 222)

TO: Representative Albert P. Adams
Chairman, House Finance Committee

FROM: Keith B. Levy *KB*
Legislative Counsel

You have requested a sectional analysis of the various versions of SB 56, HB 210, and HB 222, all of which amend the longevity bonus program and establish an annuity program using permanent fund dividends. HB 210 is identical to CSSB 56 (State Affairs). The Judiciary and Finance versions of SB 56 and HB 222, however, contain a number of substantive differences. Therefore, the following is a sectional analysis of HB 210, with a summary of the differences between HB 210, CSSB 56 (Judiciary), CSSB 56 (Finance), and HB 222 following. The section numbers of HB 210 and all the versions of SB 56 are identical. The section numbers of HB 222, however, are different. For your convenience, the discussion of each section of HB 210 contains a reference to the comparable provision of HB 222 and indicates which sections are identical.

ANALYSIS OF HB 210 (CSHB 56 (State Affairs))

Section 1. This section sets out legislative findings and states the purposes of the longevity bonus program and the annuity program. (See sec. 1 of HB 222.)

Sections 2, 4, 5, 6, 7, 9, and 14. These are "cleanup" sections that amend existing provisions in the permanent fund dividend chapter (AS 4.23) to refer to either cash payments or annuity credits or both, as appropriate. These

changes are necessary because the bill creates the option of taking the permanent fund dividend in the form of cash or an annuity credit (see sections 3 and 16). (Sections 6 and 7 of HB 210 are not contained in HB 222. Sections 2, 4, and 5 of HB 210 are identical to secs. 2, 4, and 5 of HB 222. Sections 9 and 14 of HB 210 are identical to secs. 6 and 10, respectively, of HB 222.)

Section 3. This section provides that a person who is eligible to receive a permanent fund dividend or to claim the dividend on behalf of another will receive an annuity credit unless that person elects to take the dividend in cash. It also provides the option to take a minimum of 25 percent of the dividend in cash and the balance as an annuity credit. However, a person who is 65 years of age before January 1, 1986, has no choice and must take the dividend as cash (AS 43.23.005(d)). (See sec. 3 of HB 222.)

Section 8. This section provides that the permanent fund dividend application must be prepared to allow an individual to elect to receive cash in lieu of an annuity credit (AS 43.23.015(i)). (Section 8 of HB 210 is not contained in HB 222.)

Section 10. This section allows the commissioner of revenue to direct the commissioner of administration to debit a person's annuity account, after notice and an opportunity for hearing, if the account was wrongly credited. The debit must be made within ten years if the credit is the fault of the individual and within three years if it is the fault of the state (AS 43.23.035(c)). (Section 10 of HB 210 is identical to sec. 7 of HB 222.)

Section 11. This section amends the duties of the Department of Revenue with respect to permanent fund dividends to make it clear that cash dividends are to be paid only to individuals who elect cash or are 65 years of age before January 1, 1986. It also requires the Department of Revenue to provide the commissioner of administration with information necessary to administer the annuity program (AS 43.23.055). (See sec. 8 of HB 222.)

Section 12. AS 43.23.065 currently makes 50 percent of the cash permanent fund dividend exempt from attachment to satisfy a debt and provides certain exceptions to the exemption. This section of the bill amends AS 43.23.065 to

provide another exception to the exemption. No part of the cash dividend is exempt from attachment to satisfy court ordered restitution under AS 12.55.045 - 12.55.051 or AS 12.55.100. (Section 12 of HB 210 is identical to sec. 9 of HB 222.)

Section 13. This section amends AS 43.23.065 to allow the Department of Revenue to force an individual who has a past due child support obligation to take the permanent fund dividend in cash. It also allows state courts to exercise the same power as a condition of any civil judgement or order of restitution. (Section 13 of HB 210 is not contained in HB 222.)

Section 15. This section redefines the term "permanent fund dividend" to mean a credit to an annuity account, except with respect to individuals who receive cash, in which case it means the cash payment (AS 43.23.095(6)). (See sec. 11 of HB 222.)

Section 16. This section sets up the annuity program by adding a new article to AS 43.23. An annuity investment fund is established consisting of an amount equal to the permanent fund dividends taken as annuity credits. The money is transferred from the dividend fund to the annuity investment fund annually (AS 43.23.110(a)). The legislature is also authorized to appropriate money to the annuity investment fund from the general fund or the undistributed income account. These extra funds are to be allocated to individual annuity accounts according to a "front-loading" formula that increases the annuity account balance according to age. Under the formula, there is a base credit, depending on the size of the appropriation, that applies to individuals 18 through 35 years old. For each year of age over 35 up to 65 years of age, there is an incremental credit increase, based on "historical and projected permanent fund returns on investment" (AS 43.23.110(b)).

The annuity investment fund is to be invested in the same kinds of investments authorized for the Public Employees Retirement System (AS 39.35.110), except that it may be invested in commercial insurance contracts (AS 43.23.110(f)), and individual annuity accounts are to be credited with the same interest rate that the annuity investment fund earns (AS 43.23.110(c)). The legislature may appropriate money from the annuity investment fund to the Department of Administration to pay annuities (AS 43.23.110(d)) and may also

pay administrative costs of the annuity program out of the annuity investment fund, allocating the costs equitably among the individual annuity accounts (AS 43.23.110(f)).

The annuity program is to be administered by the commissioner of administration who must maintain records of individual annuity accounts, make annuity payments, and may adopt regulations to implement the program (AS 43.23.120).

An individual becomes eligible for an annuity payment at age 65 if the individual has received one or more annuity credits (AS 43.23.130(a)). The payment is based on the principal and interest accrued to the individual's annuity account, may not vary on account of the individual's sex, and is paid for the life of the annuitant (AS 43.23.130(b)). An individual does not have to be a resident of the state at the time of payment to be eligible for an annuity payment (AS 43.23.130(c)).

An annuity account may not be transferred to another individual or to the individual's estate and the right to receive an annuity terminates when the individual dies, unless the individual dies before age 65 (AS 43.23.110(d)). If a person dies before age 65, a lump sum payment, subject to appropriation, is to be made to the surviving spouse or other designated beneficiary. The lump sum payment includes permanent fund dividend contributions by the individual and interest on those contributions, but does not include funds credited to the account from legislative appropriations and interest on those funds (AS 43.23.130(e)).

An individual does not receive a vested property right in an annuity payment until that payment is made; the state is not obligated to provide annuity payments for annuity credits granted (AS 43.23.130(f)). This means that the annuity program is not an entitlement. An individual would have no legal recourse if the state decided not to make annuity payments even after the individual credited his or her annuity account for many years. (See sec. 12 of HB 222.)

Section 17. This section amends existing law to remove the language that makes the longevity bonus payment \$250 a month. (Section 17 of HB 210 is identical to sec. 13 of HB 222.)

Section 18. This section provides that, except for people who are 65 years of age before January 1, 1986, the monthly

longevity bonus payment equals \$250 a month, increased by three percent a year beginning in fiscal year 1987, minus the maximum possible annuity payment a person would receive if they elected an annuity credit each year from the beginning of the annuity program (AS 47.45.015(a)). For those people who are 65 years of age before January 1, 1986, the longevity bonus is \$250 a month, increased by three percent a year, but without the reduction for the maximum possible annuity payments (AS 47.45.015(b)). This means that, except for those who turn 65 before January 1, 1986, as the maximum possible monthly annuity payment increases, the longevity bonus payments will decrease, regardless of whether the particular individual elected to receive annuity credits. This will have the effect of phasing out the longevity bonus over time, since the annuity payment will eventually exceed the longevity bonus payment. Those who turn 65 before January 1, 1986, will continue to receive the full longevity bonus, increased by three percent annually, since they will be ineligible to receive annuity credits (see sec. 3 of the bill). (See sec. 15 of HB 222.)

Section 19. This section amends existing law to provide that a person residing in a nursing home is ineligible to receive a longevity bonus, unless the person provided the principal support of a spouse when the person entered the nursing home (AS 47.45.070). In that case, the person may continue to receive the longevity bonus until the spouse qualifies to receive a bonus. (Section 19 of HB 210 is identical to sec. 16 of HB 222.)

Section 20. This section amends the provision of chapter 38, SLA 1984, that would have repealed the existing longevity bonus program on June 30, 1985, to provide that the program is not repealed. (Section 20 of HB 210 is identical to sec. 18 of HB 222.)

Section 21. This section repeals the provision of existing law (AS 43.23.045(c)) that allowed the Department of Revenue to adopt a plan to permit an individual to elect a payment plan under the permanent fund dividend program that would minimize the federal tax consequences of the program. (Section 21 of HB 210 is identical to sec. 19 of HB 222.)

Section 22. This section provides that, even if the bill is enacted in 1985, it applies only to permanent fund dividends beginning in 1986 and the dividend for 1985 would be paid

under the law as it existed before the bill was enacted.
(Section 22 of HB 210 is identical to sec. 20 of HB 222.)

Section 23. This section provides for an immediate effective date. (Section 23 of HB 210 is identical to sec. 21 of HB 222.)

THE JUDICIARY VERSION OF SB 56

The Judiciary version of SB 56 is similar to the State Affairs version and the section numbers are the same in both bills. However, the Judiciary version does contain a number of substantive differences from the State Affairs version. The differences between the two bills are set out in detail below.

Section 1 of the Judiciary version deletes language contained in the State Affairs version indicating legislative intent to encourage people to participate in the annuity program by front-loading the annuity accounts. This difference has no substantive effect, however, because the substantive provisions of the Judiciary version still allow for front-loading of the annuity accounts (see sec. 16 of the Judiciary version, AS 43.23.110(b)).

Section 2 of the Judiciary version adds language to clarify that a parent or representative claiming a dividend on behalf of another may take the dividend in the form of an annuity credit. This is not a substantive difference from the State Affairs version.

Section 3 of the Judiciary version provides that a person may elect to take 25, 50, or 75 percent of the dividend in cash, in contrast to the State Affairs version, which allows election of "25 percent or more" in cash.

Section 5 of the Judiciary version makes it clear that a false permanent fund dividend claim could result in forfeiture of not only cash received and individual contributions to the annuity account, but state-funded front-loading funds as well. Read literally, sec. 5 of the State Affairs version could be interpreted as not requiring forfeiture of the front-loading funds, although such a reading is unlikely.

Section 6 of the Judiciary version provides that if a public agency claims a dividend on behalf of an individual, the agency must elect 100 percent cash. In contrast, the State Affairs version allows the agency to claim cash or an annuity credit.

Section 13 of the Judiciary version allows the Department of Revenue to require a person to take the dividend as 100 percent cash if the department receives a garnishment order not only for the payment of child support, as in the State Affairs version, but also for the payment of a debt owed to the state.

Section 16 of the Judiciary version, the section that creates the annuity program, contains several differences from sec. 16 of the State Affairs version. First, the Judiciary version clarifies that the annuity investment fund consists of money transferred from the permanent dividend fund, money appropriated to the fund, and income earned by the fund (AS 43.23.110(a)). This is not substantively different from the State Affairs version. The Judiciary version requires the Commissioner of Administration to credit net income of the annuity investment fund to the individual accounts, but deletes the language, contained in the State Affairs version, requiring that the credit be at the same rate as the rate of interest earned by the fund (AS 43.23.110(c)).

The Judiciary version also limits the types of commercial insurance contracts the annuity investment fund may be invested in to contracts purchased from insurance companies with Best's rating of A or better and a financial size group of XV at the time of purchase (AS 43.23.110(f)).

The Judiciary version deletes language, contained in the State Affairs version, saying that an annuity does not pass to a person's estate (AS 43.23.130(d)). This language was inconsistent with the provisions of AS 43.23.130(e), which provide for passage of an annuity through a person's estate in certain circumstances.

Finally, the Judiciary version provides that the annuity does not have to be paid as a straight life annuity, as required by the State Affairs version (AS 43.23.130(b)). Instead, the Commissioner of Administration may authorize other payment plans.

THE FINANCE VERSION OF SB 56

The Finance version of SB 56 was based on the Judiciary version, and again, the section numbers are the same as in the State Affairs and Judiciary versions. The substantive differences are set out in detail below.

Title. The Finance version of SB 56 changes the title of the bill to "An Act relating to a longevity bonus; and providing for an effective date." This title is more general than the title used in the other versions of SB 56 which refer to the permanent fund and the annuity plan as well. The substantive effect of the title change is that it allows the House a lot more leeway in amending SB 56. The reason for this is that the Uniform Rules do not allow a title change to a bill in the second house. By making the title of SB 56 more general, the Senate Finance Committee allowed the house to amend the bill to do anything having to do with a longevity bonus.

Section 2 deletes the language, added to sec. 2 of the Judiciary version, providing that a representative claiming a dividend for the benefit of another may elect an annuity share. As noted above, this language had no substantive effect.

Section 3 of the Finance version removes the presumption that an applicant for a permanent fund dividend will receive an annuity credit unless that person elects cash. Instead, under the Finance version, a person must make a choice between an annuity and cash. This is also reflected in section 8 of the Finance version, which provides that the permanent fund dividend form is to be prepared to allow a person to elect to take the dividend as an annuity or cash, and section 15, which defines the term "permanent fund dividend."

Section 16 of the Finance version deletes the "front-loading" provisions which would have allowed the legislature to appropriate money to the annuity fund to be distributed among individual annuity accounts. This change is reflected in sections 5 and 9 as well.

Section 16 of the Finance version also amends the annuity program to provide for death benefits. AS 43.23.130(e), added by section 16, provides that a person who elects to

take the dividend as an annuity may make an irrevocable choice regarding death benefits. If a person elects death benefits for a year and dies before the age of 65, a lump sum payment is paid to the surviving spouse unless a different beneficiary is selected. If no spouse survives and no other beneficiary is designated, the payment goes to the person's estate. The lump sum payment includes dividends credited to an annuity account for years in which death benefits were selected plus interest on those dividends. If a person dies before age 65 and death benefits were not selected for a particular year, those dividends and interest on them are distributed among the annuity accounts of individuals for whom death benefits were not selected.

Finally, section 18 of the Finance version of SB 56 deletes the provision increasing the longevity bonus payment by three percent each year beginning in fiscal year 1987.

SUBSTANTIVE DIFFERENCES BETWEEN HB 210 and HB 222

Section 1 of HB 222, the purpose and findings clause, has been changed from sec. 1 of HB 210 to reflect the substantive differences in the bill. It also contains a paragraph not found in HB 210 that indicates legislative intent to maintain the annuity program even if the PFD program is eventually repealed.

Section 3 of HB 222 provides that the PFD must be taken half in the form of cash and half as an annuity credit. This differs from sec. 3 of HB 210 which allows an individual to elect to take between 25 and 100 percent of the PFD in cash. This difference is also reflected in other sections of HB 222 that make technical amendments to existing provisions of law. Sections 6, 7, 8, and 13 of HB 210, which reflect the ability to make the election between cash and an annuity credit, are not contained in HB 222. Both bills provide that a person who is 65 or older before a certain date must take all of the dividend in cash, but HB 222 makes that date July 1, 1986 whereas HB 210 makes the date January 1, 1986. This difference is reflected throughout the bill.

Section 3 of HB 222 also provides that a person with a gross income over \$25,000 in a single year who is eligible for the PFD and longevity bonus programs must choose between the two and may not receive both for that year. Section 14 of

Representative Albert P. Adams
Page 10
March 26, 1985

HB 222 contains the same clause. This provision is not contained in HB 210.

AS 43.23.130(e), added by sec. 12 of HB 222, provides that if a person leaves the state permanently before the age of 65, that person may elect to take the money contributed to the annuity account plus interest in the form of a lump sum payment. Section 16 of HB 210 only allows lump sum payment if the annuitant dies before reaching age 65.

Section 18 of HB 210 provides for the \$400 monthly longevity bonus payment to be increased by three percent a year beginning in fiscal year 1987. HB 222 does not include this provision.

Finally, section 17 of HB 222 provides that the longevity bonus program is to be funded only through automatic annual transfers from the undistributed income account in the Alaska permanent fund, and no other source. In contrast, HB 210 leaves the longevity bonus funded in the current manner, through general fund appropriations.

If I may be of further assistance, please feel free to contact me.

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Basic background information
ON ANNUITIES

Fundamentals of Private Pensions

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University of Pennsylvania

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Manner of Payment

Implicit in most pension plans is the payment of a retirement benefit that continues throughout the remaining lifetime of the retired employee.⁸ The plan may provide various collateral benefits, but underlying the whole scheme must be the promise of a life income to the participant upon his retirement. If this promise is underwritten or guaranteed by a life insurance company, the life income will be provided in the form of an annuity contract of some type. If the plan is funded through a trust, the benefits may be provided through an annuity contract purchased from an insurance company, probably at the time of the employee's retirement, or they may be paid directly from the trust fund. A series of annual or monthly payments is referred to as an "annuity" or "annuity benefit," whether or not it is insured by a life insurance company.

Types of Annuities

Several forms of annuities are available for the disbursement of pension benefits. Classified broadly, life annuities may be of the single life or joint life variety, and within that classification they may be either of the pure or refund type. As indicated by its title, a single life annuity is one which is based on only one life. The pure form of single life annuity, usually referred to as "straight-life annuity," provides periodic, usually monthly, income payments that continue as long as the annuitant lives and terminate upon his death. The annuity is considered fully liquidated upon the death of the annuitant, and no guarantee is given that any particular number of monthly payments will be made. Because of the absence of any benefit after death, this type of single life annuity provides the largest monthly income per dollar of purchase price outlay.⁹

⁸The Internal Revenue Service requires a qualified pension plan to make benefits available in the form of an annuity, either a life annuity or an annuity for a period of years. Treas. Reg. 1.401-1(a)(1)(ii).

⁹In this generalized description of annuities, the monies committed to the annuity will be called the price or purchase price, following insurance terminology. Under a pension plan, assets equal to the actuarial reserve for benefits payable to a retiring employee are set aside, in theory or in fact, to be liquidated in accordance with a stipulated form of annuity.

"life annuity
certain and
continuous"

The annuity may promise that a certain number of monthly payments will be made whether the annuitant lives or dies, with payments to continue, of course, if the annuitant lives beyond the guaranteed period. In insurance circles, this type of annuity is referred to as a "life annuity certain and continuous," and the annuitant may elect 60, 120, 180, or 240 guaranteed installments.¹⁰ The cost of the annuity increases with the number of guaranteed installments, since life contingencies are not involved during the guaranteed period.

installment
refund
annuity

The refund type of single life annuity includes any annuity that guarantees to return in one manner or another a portion or all of the purchase price of the annuity. An "installment refund annuity" promises that, if the annuitant dies before receiving monthly payments equal to the purchase price of the annuity, the payments shall be continued to the annuitant's beneficiary until the full cost has been recovered. If the contract promises, upon the death of the annuitant, to pay to the annuitant's beneficiary in a lump sum the excess (if any) of the purchase price of the annuity over the sum of the monthly payments, it is designated a "cash refund annuity." The only difference between the "cash refund annuity" and the "installment refund annuity" is that, under the former, the unliquidated purchase price is refunded in a lump sum at the time of the annuitant's death; whereas, in the latter case, the monthly installments are continued until the purchase price has been recovered. These two types of annuities are more costly than the straight-life annuity, with the "cash refund annuity" being somewhat more costly than the "installment refund annuity" because of the loss of interest. A "modified cash refund annuity" promises to refund only a portion of the purchase price, usually the accumulated employee contributions.

cash refund
annuity

modified
cash refund
annuity

The joint and survivor annuity provides periodic payments as long as either of two persons shall live. For most combinations of ages, this is the most expensive of all annuity forms. This type of contract is primarily designed to provide old-age income to a husband and wife. The income may be reduced upon the death of either annuitant to either one half or two thirds of the original amount, on the theory that the survivor does not require as large an income as do the two annuitants. Under some plans, the reduction is made when either annuitant dies. Under others, the reduction is made only if the retired participant dies first. This arrangement is often called a "contingent annuitant option."

joint and survivor
annuity

contingent
annuitant
option

¹⁰Such a range of options is not usually provided under a pension plan.

Normal and Optional Annuity Forms under Pension Plans

The benefits under a pension plan, and their cost, are calculated on the assumption that the benefit payments will conform to a particular pattern. This pattern is known as the "normal annuity form," and it is the third component of the benefit formula, the other two being the benefit amount and the age at which the payments will commence. The normal annuity form specified in most noncontributory plans is the straight-life annuity, although it is not unusual to guarantee a certain number of installments. Contributory plans usually adopt a modified cash refund annuity. This form promises that, should the employee die before receiving retirement benefits equal to the accumulated value at retirement of his contributions, with or without interest, the difference between his benefits and this accumulation will be refunded in a lump sum to his estate or to a designated beneficiary. Some contributory plans prescribe a life annuity with payments guaranteed for 5 or 10 years, either form of which will, in the typical case, assure the return of the employee's accumulated contributions.

Pension plans have traditionally given the participant the option of electing, before or at retirement, and at his own expense, an annuity form different from that prescribed in the plan document. The range of options has differed, some plans offering a wide choice and others being rather restrictive; but it has been customary to offer some form of joint and survivor annuity so the participant might assure his spouse of a life income in some amount.

All pension plans must provide that retirement benefits payable as a life annuity to an employee married to his current wife for at least one year will be automatically paid in the form of a "qualified" joint and survivor annuity unless the participant elects otherwise.¹¹ A "qualified" joint and survivor annuity is defined as a type that provides income to the surviving spouse in an amount equal to at least one half of the income payable during the time that the employee and his spouse are both alive. The participant must be given a reasonable time before the annuity starting date to elect in writing not to have the retirement benefits provided under a joint and survivor annuity.

¹¹ ERISA § 205, I.R.C. § 401(a)(11), Treas. Reg. 1.401(a)-11, and proposed amendment. The automatic requirement applies only if no election has been made, an event which never occurs in a well-administered plan.

number of monthly payments or dies, with payments to continue beyond the guaranteed period. It is referred to as a "life annuity" and the annuitant may elect 60, 120, 180, or more years of the annuity increases with time since life contingencies are not

includes any annuity that guarantees a portion or all of the purchase price and annuity" promises that, if the annuitant dies, the monthly payments equal to the purchase price shall be continued to the annuitant's estate as long as he has been recovered. If the annuitant dies before the purchase price has been recovered, the annuitant's estate (or any other person designated by the annuitant) of the purchase price of the annuity payments, it is designated a "cash refund annuity" and the difference between the "cash refund annuity" and the purchase price is refunded in a lump sum at the time of the annuitant's death. In the latter case, the monthly payments of the purchase price has been recovered, the annuity is more costly than the straight-life annuity, being somewhat more costly than the straight-life annuity because of the loss of interest. A "cash refund annuity" promises to refund only a portion of the annuitant's accumulated employee contributions. The annuity provides for periodic payments as long as the annuitant is alive. In most combinations of ages, this is the most expensive. This type of contract is prime to a husband and wife. The annuity is payable to either one or both of either annuitant to either one or both of them, on the theory that the survivor will receive the annuity. Under the "joint and survivor" annuity, when either annuitant dies, under the "joint and survivor" annuity, when the retired participant dies first, the annuity continues to the surviving annuitant option."

under a pension plan.

lower end of the earnings the plan's benefits are not a program. However, there is a combined plan and Social Security benefits that substantially exceed their cost by as much as 20 or 25 percent. It is assumed that the employees were working and were of living.

Effective has been established. Protection of the income against inflation is one way to approach this problem. In a subsequent chapter, but the automatic adjustment of the benefits to changes in the cost of living. In the Civil Service System, the federal Civil Service Retirement System, the states, and some municipal firms have been linked to the use of the consumer price index. Inflation protection are building up, and some have followed the practice of adjusting employees on an ad hoc, or indexed to the consumer price index as a percentage of the full amount of the CPI. The uncertainty over the magnitude of inflation in the community generally has led to ad hoc adjustment, rather than automatic adjustment. Security component of the Social Security provides some protection against the problem faced by

ing

in establishing a pension plan. In undertaking to provide benefits (2) an undertaking to make

contributions on a specified basis. The first approach is referred to as a *defined benefit* plan, and the second is designated a *defined contribution* plan. Under either approach, the employees may contribute toward the cost of the plan.

Defined Benefit Plan. A defined benefit plan² is one in which the benefits are established in advance by a formula, and employer contributions are treated as the variable factor. Plans of this type may be broadly classified as plans where the amount of monthly pension after retirement is fixed, and as plans where the amount varies after retirement. The latter plans are discussed in a subsequent chapter dealing with variable annuities and other devices for protecting pension benefits against loss of purchasing power. This chapter is devoted solely to plans that provide fixed-dollar benefits, which are the dominant type.

A. Benefit Formulas. Benefit formulas of defined benefit plans vary greatly as to details, but on basic characteristics they may be classified into two categories: (1) unit benefit, and (2) flat benefit.

1. Unit Benefit. The distinctive feature of the unit benefit formula is that an explicit unit of benefit is credited for each year of recognized service with the employer. The unit of benefit may be expressed as a percentage of compensation—the usual procedure under a plan for salaried employees—or as a specific dollar amount. When the benefit unit is expressed in terms of compensation, the plan must clearly indicate the items of compensation that will be treated as part of the earnings base. Such items as overtime pay, holiday pay, sick pay, bonuses, and commissions must be specifically excluded or included. If total compensation is not used, and if the definition of pay that is used results in excluding a greater percentage of total compensation for higher-paid employees than for lower-paid employees, the Internal Revenue Service may rule that the plan is not qualified because it discriminates in favor of the highly compensated.

After compensation has been defined, it must be decided whether to credit the benefit earned each year in terms of the compensation for that year or to credit all benefits in terms of the average compensation for a few years close to retirement. When the unit of benefit credited during any particular year of employment is based upon the employee's compensation during that year, the benefit formula is characterized as a *ca-*

² ERISA § 3(35), I.R.C. § 414(d).

the percentage in each salary for the three con-

to encourage early retire-
vice, he may reduce the
ice, such as 30 years, or
e plan may place a limit
e recognized for benefit
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s known as "front load-

discretion as to the pat-
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andatory vesting standards
ngress removed that lati-
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ng that will be permitted
enefit plans.⁵ Since these
it accruals of terminated
he chapter on withdrawal

vide a floor of protection
ion that operates independ-
y common for unit benefit
stipulate that the annual
J amount. For example, a
ayable in monthly install-
n might stipulate that the
o be less than \$120. This
nnual wage or salary for
(120). There may be a min-
imum for the total benefit.
its having a minimum pe-
ed on career average com-

pensation make provision for a minimum benefit that is expressed as a percentage of final compensation or a percentage of compensation as of some specified date. This type of provision is designed to update the career average salary base to a level that bears a reasonable relationship to the participant's earnings during the years immediately preceding retirement. Whereas the dollar benefit minimum is general and applies to all participants, the percentage of compensation minimum is specific to the individual participant. The latter is generally conditioned on a minimum period of service, such as 20 or 25 years, with reduced minimum benefits being payable for shorter periods of service.

Defined Contribution Plan. A defined contribution plan or individual account plan is a plan that provides an individual account for each participant and bases his benefits solely upon the amount contributed to the participant's account and any expense, investment return, and forfeitures allocated to such participant's account.⁶

A defined contribution plan defines the amount of contribution to be added to each participant's account. Some plans do this directly by defining the amount the employer will contribute on behalf of each employee (e.g., 10 percent of pay). Other plans do not define the amount of contribution to be made, leaving that completely to the employer's discretion; but these plans define how whatever contributions are made will be allocated among the accounts of participants (e.g. in proportion to compensation).

The individual accounts must receive, at least annually, their share of the total investment return, including investment income received and realized and unrealized appreciation of market values.⁷ Some plans allocate investment return quarterly, monthly, or even daily. Most types of assets are subject to fluctuation in market values, although some, such as bank savings accounts and certain annuity contracts, are maintained on a book value basis and, hence, suffer no diminution in value. If market values can decline, individual account balances can decrease as well as increase.

Ordinarily, the total plan assets are completely allocated to individual accounts. The sum of all of the account balances on any valuation date usually equals the total market value of the plan assets. If a participant terminates employment before he is vested, his account balance is for-

⁶ERISA § 3(34), I.R.C. § 414(i).

⁷Rev. Rul. 80-155.

less, the highest percentage at which contributions are made for any key employee.

A top-heavy plan may not take account of compensation in excess of \$200,000 in determining benefits or contributions.³² This \$200,000 will be subject to cost-of-living adjustments after 1985 in the same manner as the dollar limits under Section 415.

Under top-heavy plans, if there is both a defined benefit plan and a defined contribution plan, the 125 percent limit for the dollar limit on contributions and benefits under the combined plans is reduced to 100 percent.³³ However, this reduction does not apply to top-heavy plans where the value of accrued benefits for key employees does not exceed 90 percent of such value for all employees and where certain additional benefits or contributions are provided for non-key employees.

Advantages and Disadvantages of Plan Approaches

Each of the various types of plans described in this chapter has advantages and disadvantages.

Defined Contribution Plans
 — The basic appeal of the traditional money purchase approach is its simplicity. It is easy for the employees to understand and for the employer to administer. It is essentially an arrangement under which funds can be accumulated on behalf of active employees, without actuarial complexities, and used to provide retirement benefits within a wide range of ages, as permitted by the plan. There is no need to designate a normal retirement age, the significance of which is discussed later.

Under money purchase and target benefit plans, the accumulation of contributions in the participant's own individual account has strong psychological appeal and reinforces his feeling of security. Sums in an individual account, whether fully vested or not, have more reality to the participant than the accrual of pension credits toward a distant and uncertain retirement.

Defined contribution plans (both traditional money purchase plans and target benefit plans) do not ordinarily require actuarial computations. This creates an expense saving, compared to defined benefit plans. When a defined contribution plan provides benefits in the form of an annuity payable for life, an annuity is usually purchased from a life insurance company, which performs the needed actuarial functions. A minority of

³²I.R.C. §416(d).

³³I.R.C. §416(h).

utions are made for any key
of compensation in excess of
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a defined benefit plan and a
limit for the dollar limit on
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ot apply to top-heavy plans
employees does not exceed
and where certain additional
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an Approaches

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ey purchase approach is its
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ngement under which funds
employees, without actuarial
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dual account has strong psy-
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d money purchase plans and
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defined benefit plans. When
s in the form of an annuity
based from a life insurance
ial functions. A minority of

defined contribution plans provide for payment of life annuities directly without the purchase of an annuity contract; in these cases, actuarial calculations are required.

Another advantage of defined contribution plans from the standpoint of the employer is that his pension cost for all service rendered to date is fully funded. Unlike defined benefit plans, a defined contribution plan has no unfunded liability. A closely related advantage is that the defined contribution plan is not subject to plan benefits insurance (discussed later). The employer pays no premiums to the Pension Benefit Guaranty Corporation (PBGC) and is not exposed to a contingent liability if the plan should terminate. From the employee's viewpoint, there are no unfunded accrued benefits to be lost if the plan terminates.

A traditional money purchase plan has the further advantage that the future cost is fixed as a percentage of pay, subject only to reductions for forfeitures. Target benefit plans have higher costs for older participants, which may cause the cost of the plan to increase as a percentage of total pay as older employees receive pay increases and related increases in the target benefit to be funded. Future costs for a defined benefit plan are even less predictable, since the employer's costs will depend upon future investment experience and other factors, and may differ markedly from the actuary's initial estimate.

Defined benefit plans offer more flexibility in meeting costs than a money purchase plan or target benefit plan. In a money purchase plan or a target benefit plan, each year the employer must contribute the exact amount required to be credited to employee accounts, less any forfeitures. In a defined benefit plan, the existence of an unfunded liability creates flexibility in funding, depending upon the rate at which the employer chooses to fund the unfunded liability. The employer who has been funding the unfunded liability more rapidly than required has a credit balance³⁴ that can be used to reduce or entirely eliminate the required contribution for a particular year.

Defined benefit plans and target benefit plans can provide benefits for years of past service before the plan was established. A traditional money purchase plan cannot. For this reason some employers have established defined contribution plans for future service and defined benefit plans for past service benefits.

The Internal Revenue Service requires that all qualified pension plans (defined benefit, money purchase, and target benefit) make benefits

³⁴Funding requirements are described in Chapter 17.

Defined benefit plans

available in the form of an annuity, either an annuity payable for life or an annuity for a period of years.³⁵ A plan may also provide a benefit in the form of a lump sum, but no plan is required to do so. In practice, the availability of lump sums is less common among defined benefit plans than among money purchase plans. But where lump sums are available, the defined contribution plan in effect encourages the retiring participant to take his account balance in a lump sum rather than in the form of a life income. The periodic reporting to the participant of his account balance increases his awareness of the monies in the account and seems to dispose him to cash out the balance at retirement.

When a life annuity is to be provided under a defined contribution plan, usually an annuity contract is purchased from a life insurance company. This is the only practical approach for a small plan. The cost to purchase an annuity under an individual annuity contract, and under most group annuity contracts, is higher for females than for males, recognizing the longer average life expectancy of females. Under these contracts, for any given dollar accumulation at retirement, the monthly benefit for a female employee will be smaller than that of a male employee. The actuarial value of the male and female benefits will be the same at the point of retirement; but the monthly benefits will be different, except under certain 100 percent joint and survivor annuities. Female employees have objected to a differentiation in annuity purchase rates based on sex and have demanded that the annuity benefits be determined on the basis of an annuity table that combines male and female mortality, a so-called unisex table. There have been numerous recent court cases dealing with the question of whether such differing benefits violate Title VII of the Civil Rights Act of 1964. The Supreme Court is expected to resolve the question. Under a defined benefit plan, male and female employees accrue pension benefits on the same basis, and the employer absorbs any cost differences between the sexes; an exception in many plans applies to optional forms of annuity. In target benefit plans, it must be decided whether the factors used to determine contributions are unisex or sex-different factors; sex-different factors may be determined to violate Title VII.

Under a defined benefit plan the investment risk is borne by the employer, while under a defined contribution plan the investment risk is borne by participants. If investment experience is favorable, it is clearly an advantage to the party that enjoys it, and may be considered a dis-

³⁵Treas. Reg. 1.401-1(b)(1)(i).

an annuity payable for life or may also provide a benefit inquired to do so. In practice, common among defined benefit

But where lump sums are effect encourages the retiring lump sum rather than in the going to the participant of his of the monies in the account balance at retirement.

Under a defined contribution based from a life insurance plan for a small plan. The cost annuity contract, and under females than for males, reciprocity of females. Under these men at retirement, the monthly smaller than that of a male employee. Female benefits will be the monthly benefits will be different and survivor annuities. Differentiation in annuity purchase of the annuity benefits be different. It combines male and female have been numerous recent whether such differing benefits in 1964. The Supreme Court in a defined benefit plan, male and female on the same basis, and the difference between the sexes; an exception of annuity. In target benefit plans used to determine contributions, sex-different factors may be

ent risk is borne by the employee. If the investment risk is favorable, it is clearly and may be considered a dis-

advantage by the party that does not share it. If investment experience is unfavorable, exactly the opposite is true. Under defined contribution plans, there may be participant dissatisfaction with the plan if the investment results are poor.

Many defined benefit plans provide annual benefit statements to all employees showing the amount of retirement income payable at normal retirement age, both the accrued benefit based upon service to date and the projected benefit based upon projected service. The defined contribution approach does not lend itself to simple calculation or expression of benefits. The benefits will be whatever the accumulated account balance will provide. Benefit projections are sometimes prepared, but they generally rest on the assumption that current compensation and some assumed rate of investment earnings will prevail to a specified retirement age, with no change in annuity purchase rates or the corresponding actuarial assumptions of a trust fund plan. It should be noted, however, that uncertainty also surrounds the projection of benefits under a defined benefit plan because of the unpredictability of future salaries. — *جده و متنا، PFDs*

This greater unpredictability of benefits under defined contribution plans is not only a problem of communication through benefit statements; it is also a problem of achieving benefit objectives. A defined benefit plan with a final average pay formula can come close to meeting objectives for retirement income amounts; but a defined contribution plan—even a target benefit plan—may miss its mark. A defined contribution plan may prove more effective for younger workers than for older workers, or vice versa.

The negotiated contribution plan under collective bargaining has some characteristics of a defined benefit plan and some characteristics of a defined contribution plan. It shares some of the advantages and disadvantages of each type.

This discussion of advantages and disadvantages has been limited to defined benefit plans, traditional money purchase pension plans, and target benefit plans. Other types of plans that may be used to meet retirement needs, such as profit sharing plans, will be considered in later chapters.

Questions

1. What is the basis for the statement that a total retirement income of 60 to 75 percent of an individual's gross earnings at time of retirement will

making a lump-sum cash distribution.²⁰ This privilege is granted to the employer to avoid the expense of keeping track of a relatively insignificant deferred claim against the plan.

Statutory Vesting Requirements

Before enactment of ERISA, employers were under no legal obligation to provide for vesting of employer-financed benefits prior to retirement, except for unusual circumstances. The law did provide that all accrued benefits of a participant had to vest, to the extent funded, in the event that the plan terminated or the employer permanently discontinued contributions to the plan. In addition to these rules that applied to all plans, the Internal Revenue Service could require any plan to provide for reasonable preretirement vesting if it appeared from the facts of the case that the plan would otherwise discriminate against the rank-and-file employees in favor of the prohibited group (officers, shareholders, supervisors, and highly paid employees). In certain situations, usually involving small plans, the officers and other favored employees would be expected to remain with the firm until normal retirement, while the rank-and-file employees would tend to terminate their employment and fail to qualify for benefits. Vesting provisions keyed to the expected termination pattern could ensure that the plan would operate for the benefit of the employee group in general, rather than just for the proscribed group. Finally, full and immediate vesting has been mandated for plans established and maintained by self-employed persons since they were first authorized in 1962 (but will no longer be required after 1983).

The minimum vesting standards established by ERISA were premised on the grounds that vesting of accrued benefits after a reasonably short period of service is necessary (1) to assure equitable treatment of all participants; (2) to remove artificial barriers to changes of employment, hence enhancing the mobility of labor; and (3) to assure that private pension plans fulfill their social role of supplementing for a broad segment of the labor force the old-age insurance benefits provided under the Social Security System.²¹

²⁰ ERISA § 204(d)(4), I.R.C. § 411(a)(7).

²¹ See Dan M. McGill, *Preservation of Pension Benefit Rights* (Homewood, Ill.: Richard D. Irwin, 1972), chap. 2, for a discussion of the public policy considerations involved in the vesting issue. Chapter 5 of that volume provides a detailed analysis of the factors affecting the cost of vesting and the various ways in which the cost of vesting may be measured and expressed.

ERISA
only applies to employee plan
however it may provide 5
guidelines and otherwise 6
provide information

SB 516
Testimony by Steve Woodruff, Equitable Life Insurance Company:

Woodruff is local agent for Equitable Life, largest pension fund manager in U.S.

In private sector, annuities are structured on individual needs and circumstances. Taken into consideration are such factors as income level, what does the person want to do, ability to take risks, other assets (both types and productivity of those assets), what benefits are desired. Have to ascertain exact need of individual and longterm (10 to 30 or 40 years) goals.

Annuity as presented in SB65 could not be marketed because:

1. The broad statement of intent overstates any guarantee that would be possible in the private sector marketplace;
2. The lack of survivor benefits if the individual dies before the age of 65. "All annuities in the private sector offer some sort of survivor benefit."
3. The uncertain tax status. Private sector options for tax shelters would overwhelm this disadvantage. A person could take his Permanent Fund dividend and put it into an IRA, and eliminate all the problems inherent in this bill. This approach would solve the tax problems, the survivor benefits problem, and the age restriction problem. Annuity (SB65) is too inflexible in that person must wait until 65 to receive benefits and then must take benefits. IRAs and other annuities usually allow person to retire within range of 59 1/2 and 70 1/2 years. Could not tell client in "good caution and good ethics" to put his money here.

Participation rate: Maybe 5% would "fall for it at best." Normal Equitable Life participation rate for an already prescreened group of qualified investors is 4%. To suppose State would do better than 4% would be presumptuous. If you got 1%, you might be lucky.

Critical issue is survivor benefits. Should be provided to spouse in some degree or at least one beneficiary. Probably could not market program without survivor benefits. Nothing in private sector exists without survivor benefits.

Age should be moved back to 59 1/2 or 60 to make program compatible with private sector options. More people are planning retirements around age 59 1/2.

For annuity to be competitive, the interest accumulated must be tax-exempt, not taxable as under bill without frontloading by State. Annuities in private sector are tax-exempt interest and often tax-exempt principle.

Also needs option to defer receipt of payments past age 65.

Testimony by Debra Voigt, Dept. of Law:

In response to Woodruff's remarks, Voigt acknowledged that frontloading would make the difference in whether the annuity program is competitive. Frontloading is permissible under bill, but decision to do so is up to individual legislature. Person in program would have no recourse if the legislature chose not to frontload in one year. Is tax exempt only if frontloaded.

True that bill does not provide for survivor benefits. Stance taken deliberately to conform to existing longevity bonus program which does not offer survivor benefits. Bonuses go to both husband and wife, so Committee thought straight life annuity would be ok. Choice of benefits is legislative prerogative, so could be changed.

Committee's consultant looked at participation rate, and gave 20 to 80% possible range. No precedent to measure as "states just don't offer annuity programs to the entire population."

Suggest Legislature also look at this plan as compared to employer-employee plans, as it is a mixture of that and an annuity.

Testimony by John George, Director, Division of Insurance:

Annuity raises questions. State would be both the "insurance company" and the buyer of the product, as only state funds are involved. Therefore, the usual contractual relationship between the seller of the annuity and the client is very cloudy. May need written contract between the State and each individual participant--does State want to have binding agreement? What are the individual's rights? This would be addressed if State were private company offering this program. Otherwise, program and individual's account are subject to legislative change. Leaves door open for unforeseen problems. Alaska's population is very young, normally young population will take cash, not annuity. Thus, this program is very different from the average retirement program.

Testimony by Ken Humphries, Director of Retirement and Benefits:

Mystery why Senate wants to limit survivor benefits. It's something that a significant number of people want. Participation rate is really not important in that the funds would be invested along with other state programs, such as PERS. Major problem is the requirement that bonuses be issued at age 65.

SB 56

MAR 11 1985



THE HARTFORD

The Hartford Insurance Group
(203) 547-5000
P. O. Box 568
#1 Waterside Crossing
Windsor, Ct. 06095
March 7, 1985

Mrs. Lois Lind
1705 Willow Drive
Juneau, Alaska 99801

RE: Pending Alaska Legislation

Dear Mrs. Lind:

Donna Brady has asked us to comment on several House bills concerning annuity options attached to the Dividend Program.

It would not appear that much participation could be expected in the Annuity Option. Assuming the annual dividends are taxable income, the dividend would continue to be considered taxable income by the Internal Revenue Service. As long as a resident has the choice between cash or an annuity, the resident would be held to be in constructive receipt of the dividend even if he chose the Annuity Option. Accordingly, current taxes would be due on the dividend regardless of the option chosen.

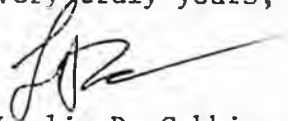
It's difficult to imagine substantial participation in the program under such circumstances. While it's important to encourage savings for retirement, most such encouragements revolve around tax advantages. The Hartford's experience with savings programs that are not tax sheltered has been dismal.

There would seem to be two possible alternatives to provide a successful annuity option. One would be to make the annuity option mandatory and restrict access to the funds once invested in the annuity contract. This would avoid constructive receipt and current taxation as well as provide for forced savings for retirement. Unfortunately, it also removes a cash distribution as an alternative.

Another option worth considering would be to provide for a larger distribution if the Annuity Option were chosen. This would certainly make this option more attractive and perhaps make up for the negative implications regarding the taxes due on funds invested in the Annuity Option.

I hope you'll find some of my comments useful. Please feel free to call me at (203) 683-8037 if you wish to discuss the situation in further detail.

Very truly yours,



Leslie D. Gubkin, Director
Sales Administration and Support

LDG:tr

cc: Donna Brady, Hartford Variable Annuity, 3828 Carleton St., Anchorage, Alaska
99503

from House Research Agency memo to
Rep Adams: 7/22/84

SB 56

Participation in Individual Retirement Accounts--1982

<u>Income Level</u>	<u>Participation Rate*</u>
under \$10,000	2.0%
\$10,000 - \$15,000	6.0
\$15,000 - \$20,000	10.9
\$20,000 - \$30,000	17.6
\$30,000 - \$40,000	28.9
\$40,000 - \$50,000	42.1
\$50,000 - \$100,000	63.7
\$100,000 - \$200,000	78.7
over \$200,000	<u>72.3</u>
all income levels	14.5%

*Participation as a percent of federal tax returns that reported income from wages.

Source: Internal Revenue Service

=====

The State's deferred compensation plan offers another example of the participation rates one might expect for the annuity program. Under that plan, State employees can place a portion of their earnings in a special account. Tax liability on the deferred amount and on earnings on investments held by the account is deferred until the cash is received. Despite the following factors, only 1,600 to 1,700 (about ten percent) of State employees participate in the deferred compensation plan.

- The deferred compensation plan offers the same tax advantages as the annuity program.
- The amount that is deferred can be controlled by the employee.
- The employee knows how much he will get out of the plan and has several options for obtaining his funds.
- The wealth is not lost if the employee dies; all funds can be passed on to a beneficiary.
- Funds can be removed before the age of 65.
- The solvency of the plan is assured; each account is subject to separate accounting.



Alaska State Legislature

House of Representatives

Committee on State Affairs

5B 56
Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

(907) 465-4003

Longevity Bonus Hearings

INCOME LEVELS AND PARTICIPATION IN A STATE ANNUITY PROGRAM

°Average Alaskan annual income is between \$25,000 - \$26,000

(Alaskans have less purchasing power than the national average after taxes).

°Rural residents tend to earn less than \$10,000 dollars a year

°Almost every rural community has an average annual income of less than \$10,000

°15% of Alaskans earn less than \$5000/year

°25% of Alaskans earn less than \$10,000/year

°30% of Alaskans earn less than \$15,000/year

Source: Department of Revenue - Presented by David Teal, Director of House Research

°Statistics indicate that 14% of the population invest in IRA's

Participation declines as income declines:
\$100,000/year 80% participation
\$10,000/year 2% participation

°State of Alaska deferred compensation plan for state employees - participation level

10% of state employees participate in the plan

State workers as a group tend to be higher paid than the average Alaskan population

The plan guarantees tax deferment on both the principal contribution and the interest earnings of an individual account in addition to allowing the withdrawal of funds before 65.

Source: Compiled by David Teal, Director of House Research

PERMANENT DIVIDEND PROGRAM: ECONOMIC EFFECTS

°The Permanent Fund Dividend Program has a more significant impact on Alaska's Economy than any other category in the State. (With the possible exception of direct welfare expenditures). In some categories, the order magnitude is as high as 4 to 1.

°By 1991 the dividend program will be responsible for almost 10,000 jobs in Alaska, if the program is continued.

°If the state were to cut an amount of state funds from loan subsidies equivalent to the permanent fund dividend expenditure, 2500 jobs in the state would be lost.

°If loan subsidies were decreased by \$100 million dollars and increased state spending in the permanent fund dividend program by \$25 million dollars, there would be no loss of employment with a net budget savings of \$75 million dollars.

°7000 to 8000 jobs in the Alaskan economy are a consequence of the permanent fund dividend program.

°The annuity proposal will cause economic contractions to the extent that money is taken out of the economy.

Source:

Gregg Erickson, Co-Author of the study on the Alaska Permanent Fund Dividend Program: Economic Effects and Public Attitudes

ANNUITY PROPOSAL

Participation

Participation is the most important consideration surrounding about the annuity proposal. If people choose not to participate in significant numbers, then the plan will not be a success from a social policy perspective.

The following factors may deter participation:

* Income level According to IRS statistics, only 2% of persons with incomes of less than \$10,000 purchase IRA's. People with minimal amounts of disposable income are certainly not going to choose to forego Permanent Fund Dividend cash-in-hand benefits for an investment for which they have to pay cash-out-of-hand payments (taxes).

* Tax status of proposed annuity Without frontloading, the annuity will not be tax-deductible. Investment advisors in the private sector encourage individuals to invest first in an IRA before considering an annuity because an IRA contribution is tax deductible and an annuity contribution is not. (The interest earnings for both are tax deferred).

The amount the legislature frontloads must be a high enough percentage to warrant a favorable tax ruling from the IRS. Finally, there is always the possibility that the legislature will stop frontloading the fund at which time the contribution will be tax-deductible as well as the annual earnings.

* Property right A person who invests in the program will not be able to withdraw his or her contribution. Other annuities allow early withdrawal. (IRA plans allow people to withdraw their money - A penalty tax is imposed for early withdrawal).

* Negative Box check The annuity proposal requires a person to check a box selecting their full dividend payment. If this is not done, a person will automatically receive an annuity credit. Low-income, rural Alaskan Natives will be negatively impacted by this arrangement since it has been documented that they use their dividend check to pay for day to day expenses while higher income Alaskans use the money for taxes and savings. (A study by the Alaska Permanent Fund found that the contribution of dividends to family income was relatively greater in rural Alaska, and especially so for rural Alaska Natives.)

* Lack of assurance that the program will exist in the future Why would an individual investor assume this risk?

*Removed
From
Finance C.S.*

SECTIONAL ANALYSIS OF PROPOSED HCS CS SB 56 (FIN)

Section 1. This is the findings and purpose section. It articulates why the legislature is phasing out the program.

Section 2. This section phases out the program. Only those individuals who turn 65 by July of 1991 will be eligible for a monthly bonus for the rest of their lives. This language better expresses the intent of the "stairstepping" language of HB 239. The language has been changed because of legal counsel's advice that, contrary to the intent of HB 239, certain individuals' eligibility could be jeopardized after they initially met the age of eligibility. Also, other unintended effects could occur under the old language. (Please refer to letter from Assistant Attorney General Deborah Vogt for further details.) The effect of this section is that anyone presently in their sixties will qualify for a longevity bonus when they get to age 65. The program and the associated cost grow for the next five years as these individuals become eligible and then gradually phase out over time as the eligible individuals pass away.

Section 3. Under current law, a bonus recipient can be Outside for 6 months without losing eligibility for the bonus for the next year. This section would only allow the recipient to be Outside for 3 months without losing eligibility.

Section 4. This section disqualifies those who reside in nursing homes, nursing wings of Pioneer homes, and mental health facilities from receiving a longevity bonus. This is because they will lose their medicaid eligibility if they continue to receive a bonus and the amount that medicaid pays for their care far exceeds the \$3,000 in annual bonus income. (Please refer to proposed letter of intent for further details.)

Section 5. This section "holds harmless" those bonus recipients who would otherwise lose their medicaid, SSI, and OAA benefits because the federal government now considers the bonus as a prior resource when determining eligibility for these programs. (Please refer to proposed letter of intent for further details.)

Section 6. This section repeals the July 1, 1985 termination date of the current longevity bonus program.

Sections 7 and 8. These sections make all of the bill go into effect on July 1, 1985 except for section 6 which goes into effect immediately.

PROPOSED LETTER OF INTENT FOR HCS CS SB 56 (FIN)

HCS CS SB 56 (FIN) phases out the longevity bonus program in a fair and just manner by insuring that today's seniors in their sixties will receive a monthly longevity bonus for the rest of their lives regardless of need. The bill does, however, address the income of these seniors who are eligible for public assistance.

Because the federal government has indicated that the longevity bonus will be considered a prior resource when determining eligibility for medicaid and supplemental security income (SSI), many of Alaska's poorest seniors who qualify for the bonus will lose their medicaid and SSI benefits. Also, because the state funded Old Age Assistance (OAA) program must follow the federal ruling, these same seniors will lose their OAA benefits as well. This bill will hold the affected seniors harmless from this federal ruling by authorizing the state to pay those medicaid, SSI and OAA benefits that the federal government no longer allows, with one exception. Instead of paying the federal portion of medicaid for eligible nursing home residents, these individuals are prohibited from receiving a bonus. This is because the federal portion of their medicaid benefits far outweighs the \$3,000 in annual bonus income and because the cost to the state of paying both the bonus and the federal medicaid portion of their nursing home care is prohibitive. Nursing home care in Alaska averages \$140 per day.

The legislature recognizes that the federal government may consider the bonus as a prior resource for other programs for which eligibility requirements are controlled at the federal level. Therefore, it is the intent of the legislature that the House and Senate Health, Education & Social Services Committees conduct a joint review of the relationship between eligibility for a longevity bonus and eligibility for federal assistance programs and report back to the legislature next session. The review should consider, but is not limited to, the following items: (1) an inventory of programs for which receipt of the bonus will change eligibility for the federal program, (2) the cost of holding bonus recipients harmless for each program, (3) how best to administer hold harmless programs; (4) how an individual would fare under each program if the individual were made ineligible for a bonus, (5) proposals for legislative action, and (6) the federal reaction to any proposed legislative actions. In conducting the review, the Committees should work closely with the House and Senate Finance Committees and the affected state agencies.

LONG TERM COSTS OF A.L.B. PROGRAM

Under proposed HCS CS SB 56 (Fin)

Fiscal Year	Eligibility Age	Total Recipients	Monthly Bonus	Annual Cost (Millions)	Cumulative cost (Millions)
1986	65	16,744	\$250	\$50.2	\$50.2
1987	65	17,768	250	53.3	103.5
1988	65	18,769	250	56.3	159.8
1989	65	19,828	250	59.5	219.3
1990	65	20,913	250	62.7	282.1
1991	65	21,908	250	65.7	347.8
1992	66	20,925	250	62.8	410.6
1993	67	19,938	250	59.8	470.4
1994	68	18,952	250	56.9	527.2
1995	69	17,974	250	53.9	581.2
1996	70	17,001	250	51.0	632.2
1997	71	16,032	250	48.1	680.3
1998	72	15,071	250	45.2	725.5
1999	73	14,116	250	42.3	767.8
2000	74	13,169	250	39.5	807.3
2001	75	12,233	250	36.7	844.0
2002	75	12,689	250	38.1	882.1
2003	75	13,190	250	39.6	921.7
2004	75	13,632	250	40.9	962.6
2005	75	14,180	250	42.5	1,005.1
2006	75	14,638	250	43.9	1,049.0
2007	75	14,994	250	45.0	1,094.0
2008	75	15,446	250	46.3	1,140.3
2009	75	15,897	250	47.7	1,188.0
2010	75	16,297	250	48.9	1,236.9

(Prepared by House Finance Staff using information supplied by House Research Agency.)

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

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REPLY TO:

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POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

March 28, 1985

Honorable Al Adams
Alaska State House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Adams:

The "stairstepping" approach would phase out the Alaska longevity bonus program by increasing the age of eligibility one year each year beginning in 1991. The intent is to protect those individuals currently receiving the bonus, as well as those approaching retirement age who have made retirement plans in expectation of the bonus, without unconstitutionally discriminating against those who have recently exercised their right to travel.

I believe that this purpose would be better accomplished by using language that would make individuals of a certain age eligible, rather than by raising the age of eligibility each year. That is, it is simpler and cleaner to make the bonus available to anyone (who meets the residency requirement) who is age 65 by July 1, 1991 rather than to raise the eligibility requirement each year beginning that year. This is because raising the eligibility requirement could serve to disqualify an individual who once qualified. For example, if the age requirement went up each July 1, and if an individual's 65th birthday were just prior to the first increase, we could have the following result:

<u>Date</u>	<u>Occurrence</u>	<u>Result</u>
June 1, 1991	Individual turns 65	Eligible for bonus
July 1, 1991	Age requirement goes up to 66	Not eligible - not yet 66
June 1, 1992	Individual turns 66	Eligible again
July 1, 1992	Age requirement goes up to 67	Not eligible - not yet 67

Thus, the individual in the example would be eligible for the bonus only one month each year - clearly an unintended result of stairstepping.

This problem could be approached by providing that once an individual meets the age requirement, that individual cannot later be disqualified by failure to meet the age requirement. However, a remaining problem would be that two individuals, with the identical birthdate, who came to the state a few days on either side of July 1 might be treated very differently. The first might have turned 65, and completed one year's residency just prior to July 1, 1991. That person would be eligible. The second might have turned 65, but would not complete one year's residency until July 2, 1991 at which time he would not meet the age requirement. The second individual might have to wait nearly a year longer than the first in order to receive the bonus - even though the two were exactly the same age. Thus, the program would treat people differently based solely on when they exercised their right to travel.

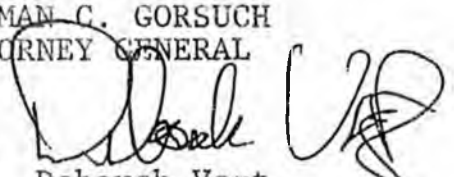
While all these problems could be cured by several changes in drafting, the resulting language would be extremely awkward. It is much cleaner and simpler to provide that an individual qualifies if he or she turns 65 by a certain date.

Please let me know if I can be of any further assistance.

Sincerely,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By:


Deborah Vogt

Assistant Attorney General

DV:jf