

SB

56

(FILE 1)

Senator Bill Ray
Room 103, Capitol
4922

(Paula Scavera)

Senator Mitch Abood
Chair, Senate State Affairs Committee
Room 423, Capitol
4522

Marsha Hubbard
Office of the Governor
M/S 0101
3500

Pouch A 99811

Debra Vogt
Assistant Attorney General
M/S 0300
3600

Pouch K 99811

Ken Humphreys
Director, Division of Retirement and Benefits
Department of Administration
M/S 0203
4460

Pouch CR 99811

John George
Director, Division of Insurance
Department of Commerce and Economic Development
M/S 0800
2515

Pouch D 99811

Keith Levy
Legislative Legal Counsel
Court Bldg., 6th Floor
2450

Division of Legal Services
Pouch Y 99811

Milton Barker
Deputy Commissioner,
Department of Revenue
M/S 0400
2350

Pouch SB 99811

Sally Smith
Director, Division of Public Services
Department of Revenue
M/S 0400
2393

Pouch SA 99811

Ervin Jones
Director, Division of Administrative Services
Department of Revenue
M/S 0400
2313

Pouch SA 99811

MESSAGE

Date 2-19 Time 12:45

For: Roger Lewis

From: Gomez

of S. Sec. Regional Office

Phone No. 206-442-4476

Telephoned Called to see you ()
Please call Will call again ()
Returned your call () Urgent ()

Message Re: Longevity Bonus -

128 stair
[Local Gomez
2901 3rd Ave # 308
SEA 98121]

Operator JP

2/21 LAA-16 sent (SSBS6 (SA),
sectional analysis,
letter of intent, + fiscal notes
+ REPORT

Rest Olson
Benefit
Breaks.
Anchorage

Louis Keller
Director, Division of Pioneers' Benefits
Department of Administration
M/S 0211
4400

Pouch C 99811

John Pugh
Commissioner
Department of Health and Social Services
M/S 0600
3030

Pouch H-01
99801

David Teal
Director, House Research Agency
M/S 3100
3991

Pouch 4

Thomas D. Terry
Tax Consultant
Morrison and Foerster
One Market Plaza
Spear Street Tower
San Francisco, CA 94105
(415) 777-6032

Stephen K. Woodruff
Equitable Life Assurance Society of the United States
9309 Glacier Highway, Suite A202
Juneau, Alaska 99801
789-3161

Governor Jay Hammond
Lake Clark Lodge
Port Alsworth, AK 99653

Gregg Erickson
Principal Analyst
Office of Management
& Budget

Room 512 Court Bldg

Pouch AM 99811

3568

Jon Tillinghast
Birch, Horton, Bittner,
Pestinger & Anderson

130 Seward, Suite 411

Juneau 99801

586-2890

BILL FILE LOG

BILL # 56

1/30 Bill received in Committee
letter of intent + fiscal notes

* 1/31 Paula Deavers - contact when
bill heard

1/31 Committee minutes requested from
Clare - S.A.

2/6 - Letter from J.K. Humphreys,
Division of Retirement + Benefits

2/8 Keith Levy memo

2/8 Older Alaskans Commission survey info

2/8 Best's Aircraft Compand annuity info

2/30 Actuarial Analysis - per Paula

2/21 Letter sent - expected participants

2/21 Hess, Administration + Revenue
Position Papers for CSSB 56 (S.A.)

2/21 O.M.B. - A.L.B. Cases with zero
Front Loading and zero Escalator

SENATE JUDICIARY COMMITTEE
SB56 HEARING SCHEDULE

Senator Pat Rodey, Chairman
Butrovich, Capitol Room 205
1:30 p.m.

Further Information
Roger Lewis (3717)

HEARING #1: OVERVIEW

Thursday, February 21, 1985

Expected Participants

- * Ken Humphreys, Director, Division of Retirement and Benefits, Department of Administration
- * Jon Tillinghast, Attorney with Birch, Horton, Bittner, Pestinger, and Anderson
- * Paula Scavera, Senate Minority Aide
- * Debra Vogt, Assistant Attorney General

HEARING #2: THE ANNUITY PROGRAM; WHAT IT IS, AND WHAT IT MEANS TO THE INDIVIDUAL INVESTOR

Wednesday, February 27, 1985

Expected Participants

- * Ken Humphreys, Director, Division of Retirement and Benefits, Department of Administration
- yes * Steve Woodruff, Equitable Life Assurance Agent
- yes * John George, Director, Division of Insurance, Department of Commerce and Economic Development
- yes * Debra Vogt, Assistant Attorney General
- yes * Keith Levy, Legislative Legal Counsel

HEARING #3: THE ANNUITY PROGRAM; WHAT IT MEANS TO THE STATE AS AN INVESTOR

Thursday, February 28, 1985

Expected Participants

- yes * Milton Barker, Deputy Commissioner, Department of Revenue
- yes * Sally Smith, Director, Division of Public Services, Department of Revenue
- yes * Ervin Jones, Director, Division of Administrative Services, Department of Revenue
- * Ken Humphreys, Director, Division of Retirement and Benefits, Department of Administration
- yes * Louis Keller, Director, Division of Pioneers Benefits, Department of Administration
- yes * Keith Levy, Legislative Legal Counsel

HEARING #4: IMPACT ON PUBLIC ASSISTANCE ELIGIBILITY/
INTRODUCTION TO LONGEVITY BONUS PHASE-OUT OPTIONS
Tuesday, March 5, 1985

Expected Participants

- * John Pugh, Commissioner, Department of Health and Social Services
 - * Marsha Hubbard, Special Assistant, Office of the Governor
 - * David Teal, Director, House Research Agency
 - * Jon Tillinghast, Attorney with Birch, Horton, Bittner, Pestinger, and Anderson
-

HEARING #5: LONGEVITY BONUS PHASE-OUT OPTIONS/COSTS OF ALL
ALTERNATIVES
Thursday, March 7, 1985

Expected Participants

- * John Pugh, Commissioner, Department of Health and Social Services
 - * David Teal, Director, House Research Agency
 - * Gregg Erickson, Principal Analyst, Office of Management and Budget
 - * Marsha Hubbard, Special Assistant, Office of the Governor
-

HEARING #6: PUBLIC HEARING TO BE HELD IN ANCHORAGE
Saturday, March 9, 1985

Hearing will be chaired from the Legislative Information Office in Anchorage, and teleconferenced to Capitol Room 205 in Juneau. Public testimony will be taken from 1:30 to 4:00 p.m.

HEARING #7: MARK-UP OF COMMITTEE SUBSTITUTE
Tuesday, March 12, 1985

HEARING #8: MARK-UP COMPLETION
Thursday, March 14, 1985

Senator Vic Fischer

Alaska State Legislature
1024 W. 6th Avenue, Suite 204C
Anchorage, Alaska 99501 (907) 278-3654
During Session • Pouch V • Juneau, Alaska 99811 (907) 465-4954



October 15, 1985

Senator Patrick Rodey
1024 W 6th Avenue, #308
Anchorage, Alaska 99501

Dear Senator Rodey:

I am writing to request your help in addressing a problem arising from SB 56 (Chapter 99) Longevity Bonus, passed by the legislature last session.

Specifically, SB 56 contained a provision that disqualified nursing home residents from receiving the longevity bonus. This provision was deemed necessary because of a federal ruling regarding income eligibility for Medicaid and other public assistance benefits.

On November 9, 1984, the feds ruled that Alaskans who qualified under the "old" longevity bonus program (i.e. had 25 years or more of residency) would not have to count the bonus as income for the purposes of determining income eligibility for Medicaid and other benefits. Those bonus recipients who qualified under the "new" program (one or more years of residency) would have to count it as income. The bonus was counted as income whether or not eligible Alaskans apply for and receive the bonus.

In order to protect Alaskans from certain harm by loss of Medicaid and other benefits, the legislature chose to disqualify them from receiving the bonus. Because the law requires that we treat "private" and "public" nursing home residents equally, Pioneer Home nursing wing residents were also disqualified from receiving the bonus, even though they do not receive Medicaid.

The result? On July 1, 447 Alaskans lost their longevity bonus because they live in nursing homes. About 235 are Pioneer Home residents (see attached). Since July, 49 Pioneer Home nursing wing residents have been unable to pay their monthly rent, primarily because they lost their longevity bonus.

Many of these Pioneers feel they are being discriminated against and punished because they are ill. Through no fault of their own, in their view, they are suddenly on "welfare" and are unable to pay their bills for the first time in their life. A hard blow for anyone, particularly an elderly citizen coping with debilitating illness.

So, what can we do? It appears we have three options:

- do nothing and wait for the outcome of the 1986 advisory vote to find out whether Alaskans want to retain the longevity bonus program and, if so, in what form
- repeal the provision disqualifying nursing home residents and let those who lose medicaid benefits as a result "fend for themselves"
- repeal the provision and establish a "hold harmless" clause, funded annually by legislative appropriation, to cover those Alaskans who will lose benefits by receiving the bonus.

There may be other options, and I'd truly like to hear your ideas about how best to address this situation. Please let me know what you think, by the end of this month, if possible.

Thanks for your help.

Best regards,

A handwritten signature in dark ink, appearing to read "Vic", written over a vertical line that extends from the "Best regards," text above.

Senator Vic Fischer

Enclosure

cc: All legislators

October 14, 1985

To: Vic Fischer
From: Ginger Baim
Re: Longevity bonus/medicaid benefits

The new longevity bonus bill (SB 56, Chapter99) adopted by the legislature last session, disqualified anyone living in a nursing home from receiving the longevity bonus.

You have asked me to research the effects of this provision. Below is pertinent background information:

- 14,000 Alskans receive the longevity bonus
- 2,450 of those receive SSI and Old Age Assistance
- 1,700 have been residents 25 years or longer,
- 750 are affected by the federal ruling requiring that their longevity bonus be counted as income in determining eligibility for medicaid and other public assistance.
(see attached Nov. 9, 1985 memorandum from Rod Betit, Division of Public Assistance, DHSS)

Effects of SB 56 (Chapter99):

- 477 Alaskans became disqualified to receive the longevity bonus on July 1, 1985. They are:

25	Ketchikan Pioneer Home	19	Island View Hospital
34	Sitka Pioneer Home	73	Anchorage Pioneer Home
47	Fairbanks Pioneer Home	50	Palmer Pioneer Home
31	Denali Center	5	Cordova
12	Kodiak Hospital	87	Our Lady of Compassion
6	Norton Sound Hospital	10	Petersburg General
35	St. Ann's (Juneau)	1	Palmer Valley Hospital
12	South Penninsula (Kenai)	30	Others *

- Since becoming ineligible for bonus benefits in July, 49 residents of the state Pioneer Home nursing wings have been unable to pay their monthly rent. They are:

15	Anchorage Pioneer Home	15	Fairbanks Pioneer Home
5	Ketchikan Pioneer Home	9	Palmer Pioneer Home
5	Sitka Pioneer Home		

* Others disqualified for non-SB56 reasons (death, absence from the state, changed residency etc.)

STATE OF ALASKA
 LONGEVITY BONUS IMPACT ANALYSIS
 (MEDICAL ASSISTANCE AND PUBLIC ASSISTANCE)

November 9, 1984
 Rod Betit
 465-3355

On November 7, 1984 a decision was made by the U.S. Department of Health and Human Services that all elderly public assistance recipients in Alaska must apply for the Longevity Bonus, even if its receipt would cause the individual to lose eligibility for Old Age Assistance and Medicaid. Under present federal law, Bonus recipients with less than 25 years Alaska residence must have the Bonus counted as income when computing their eligibility for Medicaid and Old Age Assistance. The adverse impact of this federal decision is presented below. These estimates are in FY85 benefit terms and represent a full 12 months of financial harm.

	<u>Total Annual Value to clients of lost benefits</u>	<u>\$ Lost in Federal Benefits</u>	<u>\$ Lost in State Benefits</u>
I. <u>Lost State and Federal Cash Benefits:</u>			
Approximately 2450 elderly Alaskans receive federal Supplemental Security Income and state Old Age Assistance. 1700 of these Alaskans are residents of 25 years duration or longer, and therefore their Bonus payment is exempt and not counted as income. The remaining 750 Alaskans are affected by the November 7, 1984 federal decision. The annual loss to these individuals in financial assistance is as follows:			
750 individuals X \$240/month reduced Federal and State cash benefits X 12 months =	\$2,160,000	\$1,400,000	760,000
II. <u>Lost Medicaid Benefits:</u>			
A. Approximately 314 of the 750 affected Old Age Assistance recipients will also lose Medicaid coverage since the Bonus will place them over the qualifying limit for Medicaid. Medicaid spends approximately \$2500 per year to meet the non-nursing home needs for each of these individuals (state pays half of these costs). The annualized cost to maintain these benefits is as follows:			
314 individuals X \$2500/year =	785,000	392,500	392,500
B. In addition, approximately 36 elderly Alaskans in nursing homes will also exceed Medicaid qualifying limits, once they begin receiving the Bonus. These individuals' nursing home care costs approximately \$50,000 each annually (\$135/day). =			
	<u>1,800,000</u>	<u>720,000</u>	<u>1,080,000</u>
TOTALS	\$4,745,000	\$2,512,500	2,232,500

***III. Cost to State of Alaska:**

Any State level hold harmless program would cost \$2,512,500 annually under present Bonus program rules.



- SENATOR PATRICK RODEY -

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF PIONEERS' BENEFITS
PIONEERS' HOME--LONGEVITY BONUS

Bill Sheffield, Governor

POUCH CL (MS 0211)
JUNEAU, ALASKA 99811
PHONE: (907) 465-4416

June 20, 1985

Honorable Patrick M. Rodey
Senator
1024 W. Sixth, Suite 308
Anchorage, AK 99501

Dear Senator ^{Pat} Rodey:

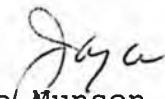
On June 7 the Governor signed CCSSB 56, relating to the longevity bonus. With the passage of this bill, the "hold harmless" clause was immediately effective. Those people residing in nursing homes or the skilled nursing wings of the Pioneers' Homes will no longer be eligible for the longevity bonus.

To help answer any questions posed to you by your constituents or those affected by the change, we are sending you copies of letters we have sent to the nursing home administrators, residents or guardians, and all other recipients of the longevity bonus.

Also enclosed is a copy of the emergency regulations for the Longevity Bonus Program.

If you have any questions, please call me at 465-4400 or Marian Schafer at 465-4416.

Sincerely,


Joyce Munson
Director

JM/vd
Enclosures

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF PIONEERS' BENEFITS PIONEERS' HOME--LONGEVITY BONUS

BILL SHEFFIELD, GOVERNOR

POUCH CL (MS 0211)
JUNEAU, ALASKA 99811
PHONE: (907) 465-4416

June 21, 1985

Dear Alaskan,

As you may know, the legislature passed legislation this year that results in the discontinuation of the Alaska Longevity Bonus to residents of nursing homes. This exclusion applies both to residents of private nursing homes and to residents of the nursing home wings of the Pioneers' Homes. Our records show that you are such a resident; as a result, we will be unable to continue sending you bonus payments.

The decision to exclude nursing home residents from receipt of the bonus was a difficult one for the legislature, and we thought we should explain as fully as possible the reasons for this decision. The nursing home exclusion appeared to be the most equitable solution to a very difficult problem--the lesser of a number of potential evils.

Due to a special exemption in federal law, the original longevity bonus was not counted as income when determining eligibility for assistance programs such as Supplemental Social Security (SSI), Old Age Assistance (OAA) and medicaid. As a result, when needy persons received the bonus, they would not lose these other protections. After the original bonus program was found unconstitutional, federal law was changed so that the bonus must now be counted as income for these programs. This change in federal law presented an extremely dangerous problem for certain nursing home residents: if receipt of the bonus made them ineligible for medicaid, they would be unable to remain in nursing homes, but receipt of the bonus would not be nearly enough to pay for the care they needed. To aggravate the problem, the federal government determined that even if an individual eligible for the bonus chose not to apply for it, he or she nonetheless would be deemed to have received it and would therefore be ineligible for medicaid. Thus, the bonus would harm these individuals severely.

The State Special Committee on the Alaska Longevity Bonus and the legislature sought a solution to this difficult problem which would be the least harmful all the way around, but there was no perfect solution. The legislature recognized that by and large residents of nursing homes receive substantial State assistance for their care, either through State participation in medicaid in private nursing homes, or through direct support in the Pioneers' Homes. The cost of care for each recipient in these homes is between \$40,000 and \$50,000 per year. The loss of federal participation for medicaid recipients is an expense

greater than the State could afford. While the legislature recognized that some individuals contribute to these expenses (those Pioneers' Home residents who are able to pay the monthly rent), these contributions do not approach the full cost of care. Thus, State support of nursing home residents is high, even without the bonus.

The legislature was also aware that the bonus has historically been unavailable to certain individuals who are not living independently: those in mental institutions, and those who are incarcerated. Part of the reason for these exclusions is that the State is already contributing to the cost of supporting these individuals; another part is that the bonus is intended to assist senior Alaskans in living independently. The nursing home exclusion is an extension of these ideas.

As a result of all these considerations, the legislature concluded that the most equitable solution would be to exclude nursing home residents from receipt of the bonus. For equal protection reasons, the legislature concluded that it must deny the bonus to all nursing home residents, whether they received medicaid or not. As a result of the exclusion, the bonus cannot have the effect of disqualifying individuals from critical medical care.

We recognize that loss of the bonus may seem harsh to those of you who have received it in the past, and we regret that we are unable to continue sending it to you. However, the primary motivation of the legislature was to ensure that no one lost medical care that was critical to survival. Exclusion from the bonus program does not alter the State's dedication to ensure that each senior Alaskan is provided with the basic necessities of life. If loss of the bonus means that you are no longer able to pay the monthly rent at a Pioneers' Home, the home manager will adjust the rate with you.

You will not qualify for further longevity bonus payments. The last payment you are entitled to receive is for the month of June 1985, which was mailed about the first of June. If a bonus payment is mistakenly issued to you for a month after June 1985, it must be returned to the program for cancellation. If your bonus is terminated and if you are not a resident of a nursing home, please contact the program immediately.

The members of the staff of the Longevity Bonus Program have enjoyed our association and contact with you in the past. If you have questions regarding your eligibility please feel free to contact our office at 465-4416. Please let us know if your circumstances change in the future, and you again become eligible for the bonus.

Sincerely,



Joyce Munson, Director
Division of Pioneers Benefits

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

*DIVISION OF PIONEERS' BENEFITS
PIONEERS' HOME—LONGEVITY BONUS*

BILL SHEFFIELD, GOVERNOR

POUCH CL (MS 0211)
JUNEAU, ALASKA 99811
PHONE: (907) 465-4416

June 21, 1985

Dear Alaskan,

As you may know, the Alaska Legislature passed legislation this year affecting the Longevity Bonus Program. The Governor signed the bill on June 7, 1985, and it became effective immediately.

Without legislation this year, the Longevity Bonus Program would have ended on July 1, 1985. The new law extends the program, so that bonus payments will continue to be made. The law makes certain changes in the bonus program that take effect immediately (discussed in detail below). It also sets up a procedure by which the voters will express their approval or non-approval of an annuity program at the general election in 1986.

After the election, the legislature will presumably adopt either the annuity program, if it receives voter approval, or the so-called "stairstepping" approach. Under either program any senior who has reached age 65 on or before January 1, 1988, will continue to receive the full bonus of \$250 per month. Under the "stairstepping" approach, the program would simply be phased out by not granting the bonus to any individual younger than age 65 on that date. Under the annuity approach, those younger individuals would be given the opportunity to set up individual annuity accounts by depositing their permanent fund dividends with the state. The longevity bonus, for those individuals, would be decreased each year by the amount of the available annuity (whether or not an individual had contributed to the annuity program) so that eventually the bonus would disappear altogether. As you can see, neither approach would affect current bonus recipients, who will all be older than age 65 by 1988.

The provisions that do affect you, and that take effect immediately, are as follows:

1. Reduction in allowable absences. The old law provided that an individual would not lose eligibility for the bonus if he or she were out of the state for less than 180 days. The new law reduces that period to 90 days. The legislature felt that the purpose of the bonus program was not served by granting the bonus to those who spent nearly half the year outside Alaska. Our department will adopt emergency regulations shortly to implement this provision. The provision will not apply to travel that began before the effective date of the Act (June 7, 1985), but will be applied to any travel starting after that date. If eligibility for the bonus is lost because of an absence exceeding

90 days, an individual must requalify for the bonus by residing in the state for 12 months. The provision applies to both consecutive and cumulative absences--thus an absence of 45 days followed more than 30 days later by an absence of 46 days will result in disqualification. Absences of less than 30 days do not affect eligibility. If you have questions about this provision, contact the Longevity Bonus Program in Juneau at 465-4416.

2. "Hold harmless" provisions. Before the lawsuit concerning the longevity bonus program, federal law provided that the original bonus was not counted as income in determining eligibility for assistance programs such as Supplemental Social Security (SSI), Old Age Assistance (OAA) and medicaid. After the lawsuit, the federal law was changed to provide that the bonus must be counted as income in these programs. The new federal law continues to exempt all Alaskans who were on the original program, and in addition those newer bonus recipients who would have met the old 25 year residency requirement, and who begin receiving the bonus before September 1, 1985. For the others, whose bonus must now be counted, the change can result in the loss of some or all of these benefits. The legislation passed by the State this year provides that these individuals (except residents of nursing homes--see below) will be "held harmless" by the State for lost benefits. This means that if you lose SSI, OAA or medicaid because you receive the bonus, the State will pay your lost benefits. If you have questions about this provision, contact your nearest State Division of Public Assistance office.

3. Nursing home residents. Because of the problems outlined in the preceding paragraph, certain nursing home residents were in danger of losing their nursing home care as a result of receiving the bonus. The legislature determined that the most equitable solution to this grave problem was to discontinue the bonus for all residents of nursing homes. This course was adopted so that these persons could continue to receive medicaid if required. This exclusion applies both to residents of private nursing homes and to residents of the nursing home wings of the Pioneers' Homes. If you are a resident of a nursing home, you are not entitled to further longevity bonus payments; if one is mistakenly sent to you, it must be returned to the program for cancellation. Residents of nursing homes have been sent a separate letter explaining this change in more detail. If you have questions about this provision, contact the Division of Medical Assistance in Juneau at 465-3355.

If you have questions about any of the Longevity Bonus Program changes or your eligibility please feel free to contact our office at 465-4416.

Sincerely,



Joyce Munson, Director
Division of Pioneers Benefits

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF ADMINISTRATION

POUCH CL (MS 0211)
JUNEAU, ALASKA 99811
PHONE: (907) 465-4416

DIVISION OF PIONEERS' BENEFITS PIONEERS' HOME-LONGEVITY BONUS

June 19, 1985

THIS LETTER WAS SENT TO ALL NURSING HOME ADMINISTRATORS:

Dear :

This will confirm our recent telephone request for a list of all persons at least age 65 who reside at your nursing home facility.

The list is required so that we may comply with legislation passed this year which results in the discontinuation of the Alaska Longevity Bonus to residents of nursing homes. (CCSSB 56, CH. 99 SLA 1985) To allow the necessary time to discontinue payments effective July 1, 1985, it is essential that the first list of names be in our hands no later than Friday, June 21, 1985, and thereafter you should send us a current listing by the 15th day of each month.

Your list should include all residents who are at least 65 years old, whether or not they are known by you to be a bonus recipient. Some recipients do not receive their payments at your facility.

The individuals affected by the change will be advised by letter, and to ensure that each person is informed, the letters will be sent to you for distribution within a few days.

The legislature amended AS 47.45.070 to disqualify individuals residing in nursing homes, as that term is defined in AS 08.07.180. This amendment is a so-called "hold harmless" provision and applies both to individuals residing in private nursing homes, who generally are supported by medicaid, and to those residing in the nursing home wings of the Pioneers' Homes, who do not receive medicaid. Both classes of individuals generally receive substantial state assistance for their care, either through state participation in medicaid or through direct state support in the Pioneers' Homes. By denying the bonus to these individuals, the problem of losing medical assistance because of mandatory receipt of the bonus is avoided.

Under the original statute, the federal government did not count the bonus as income in determining eligibility for supplemental social security (SSI), and, as a result, it was also exempt under the state's old age assistance program (OAA). An individual eligible for these programs is also eligible for medicaid.

After the original Longevity Bonus Program was invalidated a year ago, the legislature revised the residency requirements of the program, making it available to all persons at least 65 years of age who have lived in the state one year immediately preceding application. Shortly after the residency requirements of the bonus program were amended and a new class of individuals became eligible, the federal law exempting the bonus was changed. It now provides that only those individuals who meet the 25-year residency requirement of the former law, and who become eligible for the bonus by September 30, 1985, may disregard the bonus in determining eligibility for SSI/OAA. Further, the federal Department of Health and Human Services has ruled that an individual eligible for the bonus must apply for the bonus before seeking SSI/OAA. As a result, individuals whose bonus is not exempt would have their benefits under OAA and SSI reduced by the amount of the bonus, so that although they receive the bonus they would not receive the benefit of the bonus. More importantly, since medicaid eligibility is a function of SSI/OAA eligibility, if the bonus results in disqualification for those programs, the individual would lose medical support as well.

Historically the bonus has been unavailable to certain individuals who are not living independently: those in mental institutions, and those who are incarcerated. Part of the reason for these exclusions is that the state is already contributing to the cost of supporting these individuals, and part of the reason is that the bonus is intended to assist senior Alaskans in living independently. The nursing home exclusion is an extension of these ideas.

As a result of all these considerations, the legislature concluded that the most equitable solution would be to exclude nursing home residents from receipt of the bonus. For equal protection reasons, the legislature concluded that it must deny the bonus to all nursing home residents, whether they received medicaid or not. As a result of the exclusion, the bonus cannot have the effect of disqualifying individuals from critical medical care.

The last payment the nursing home residents are qualified to receive is that which was issued for the month of June 1985 and mailed about June 1, 1985. If by chance a bonus is mistakenly issued to a nursing home resident for a month

June 19, 1985

after June 1985, the warrant must be returned to us for cancellation.

Some administrators have requested a copy of the bill, and we are therefore providing a copy to each of you. The amendment is on page 11 of the enclosed CCSSB 56. (CH. 99, SLA 1985)

We look forward to receiving your monthly report of residents who are at least age 65 and we thank you for helping us to comply with the law. Please let us know if you have any questions.

Sincerely,

/s/ Joyce Munson

Joyce Munson
Director

JM/MS/afl
3/7FL1/0612-02
Enclosure

Mr. Ronald J. Olthoff
Denali Center
1949 Gillam Way
Fairbanks, AK 99701

Mr. Jim Walsh
Valley Hospital
P.O. Box H
Palmer, AK 99645

Mr. Edward Zeine
Cordova Community Hospital
P.O. Box 160
Cordova, AK 99574

Ms. Mildred Pelch
Wesleyan Nursing Home
P.O. Box 456
Seward, AK 99664

Sister Barbara Haase
Island View Manor
3100 Tongass Avenue
Ketchikan, AK 99901

Ms. Janet Bunes
Wrangell General Hospital
and LTC
P.O. Box 80
Wrangell, AK 99929

Mr. James H. Gingerich
Kodiak Island Hospital
P.O. Box 1187
Kodiak, AK 99615

Ms. Donna M. Stephens
Anchorage Pioneers' Home
Pouch 7-027
Anchorage, AK 99510

Mr. Tom Boling
Our Lady of Compassion
Care Center
4895 Cordova Street
Anchorage, AK 99503

Ms. Barbara Bathony
Fairbanks Pioneers' Home
2221 Eagan
Fairbanks, AK 99701

Ms. Jane Sabes, MPH
Norton Sound Regional
Hospital
P.O. Box 966
Nome, AK 99762

Mr. Max LaMare
Ketchikan Pioneers' Home
141 Bryant
Ketchikan, AK 99901

Mr. Craig S. Slater
Petersburg General Hospital
P.O. Box 589
Petersburg, AK 99833

Mrs. Arleen Davis
Palmer Pioneers' Home
250 East Fireweed
Palmer, AK 99645

Mr. Michael Herring
South Peninsula Hospital
4300 Bartlett Street
Homer, AK 99603

Ms. Roberly Potter
Sitka Pioneers' Home
P.O. Box 198
Sitka, AK 99835

Mr. Jack Buck
St. Ann's Nursing Home
415 Sixth Street
Juneau, AK 99801

FINDING OF EMERGENCY

The Alaska Longevity Bonus Program, Division of Pioneer Benefits, Department of Administration, finds that an emergency exists and that the attached regulations are necessary for the immediate preservation of the public peace, health, safety or general welfare. A statement of the facts constituting the emergency is:

Chapter 99, SLA 1985, relating to the Alaska Longevity Bonus, took effect on June 8, 1985. Certain provisions of the Act, affecting rights and benefits under the Longevity Bonus Program, took effect immediately. Emergency regulations are necessary to assure consistency with the new statute, to avoid public confusion, and to properly implement the new legislation. Additionally, the considerations leading to the new legislation have caused the Department to reassess and change a related regulation; in order to avoid confusion and provide consistency this change must be made in conjunction with the changes required by statute.

ADOPTION ORDER

Under the authority of AS 47.45, these amendments are therefore adopted as emergency regulations to take effect immediately upon filing by the lieutenant governor as provided in AS 44.62.180(3).

This action is not expected to require an increased appropriation.

DATE: June 19, 1985
Juneau, Alaska

Ski Olsonoski
Ski Olsonoski
Acting Commissioner
Department of Administration

Jim Robison for FILING CERTIFICATION
I, Stephen A. McAlpine, Lieutenant Governor for the State of Alaska, certify that on *June 19*, 1985, at *1:50 p.m.*, I filed the attached regulations according to the provisions of AS 44.62.

Jim Robison
for Lieutenant Governor

Effective *June 19, 1985*.
Register *195, October 1985*.

Expires October 16, 1985 unless made permanent by the adopting agency

STATE OF ALASKA
LIEUTENANT GOVERNOR
JUNEAU

CERTIFICATE

FOR DELEGATION OF LIEUTENANT GOVERNOR'S AUTHORITY

I, STEPHEN McALPINE, LIEUTENANT GOVERNOR OF THE STATE OF ALASKA, as authorized by AS 44.19.026, designate Norman Gorsuch, Attorney General, as temporary custodian of the state seal and as the officer to perform the Administrative Procedure Act filing functions and the authenticating functions of the lieutenant governor during such time as I succeed to the office of governor, act as governor, am absent from the state, or am otherwise unavailable at the state capital to perform these functions.

In the absence of Attorney General Gorsuch, I designate Esther Wunnicke, Commissioner of Natural Resources, to perform the functions stated above.

In the absence of Commissioner Wunnicke, I designate Jim Robison, Commissioner of Labor, to perform the functions stated above.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed hereto the Seal of the State of Alaska, at Juneau, the Capital.

This *tenth* day of *June*
A.D. 19. *85*


LIEUTENANT GOVERNOR



2 AAC 40.010(a) is amended by adding a new paragraph to read:
(7) he or she is not unqualified by reason of residence in a nursing home. (Eff. 9/13/81, Register 79; am / /85, Register)

Authority: AS 47.45.010
AS 47.45.070
AS 47.45.100(1)

2 AAC 40.010 (b) is amended to read:
(b) The spouse of an applicant who satisfies (a)(1) -- (4) of this section but is unqualified for a bonus by reason of confinement in a state or federal mental health institution or residence in a nursing home is eligible to receive a bonus payable directly to the spouse if

(1) ...
(2) ...
(3) (Eff. 9/13/81, Register 79; am / /85, Register)

Authority: AS 47.45.010
AS 47.45.070
AS 47.45.100(1)

2 AAC 40.100(a) is amended by adding a new paragraph to read:
(4) residence in a nursing home as provided in AS 47.45.070(2). (Eff. 9/13/81, Register 79; am / /85, Register)

Authority: AS 47.45.030
AS 47.45.070
AS 47.45.100(1)

2 AAC 40.110(a) is amended to read:
2 AAC 40.110. CAUSES FOR DISQUALIFICATION. (a) The commissioner of administration will disqualify a recipient for a period of 12 months after the date on which the recipient would otherwise be qualified to receive bonuses if the recipient is absent from the state for one or more of the following periods unless the commissioner of administration determines that the absence was beyond control of the recipient:

(1) absence from the state for more than 90 consecutive days;
(2) interrupted absence from the state over a period of more than 90 days without being present in the state for at least 30 consecutive days between the first day of the first absence and the last day of the last absence, except that no absence of 30 days or less will be considered in calculating total absence;
(3) absence from the state for more than 90 days in a 12-month period, except that no absence of 30 days or less will be considered in calculating total absence.
(Eff. 9/13/81, Register 79; am / /85, Register)

Authority: AS 47.45.030
AS 47.45.040
AS 47.45.070(4)
AS 47.45.100(1)

2 AAC 40 is amended by adding a new section to read:

2 AAC 40.115. TRANSITION RULES REGARDING ABSENCES. (a)
A recipient whose absence from the state began before June 9, 1985 will not be disqualified under 2 AAC 40.110(a)(1) or (2) unless the absence exceeds 180 days.

(b) For the purpose of calculating the 12-month period in 2 AAC 40.110(a)(3), a recipient will be disqualified for absence exceeding 180 days during a 12-month period ending before June 9, 1985, or, if the recipient was out of the state on June 8, 1985, the 12-month period ending with the recipient's return to the state; a recipient will be disqualified for absence exceeding 90 days during the 12-month period beginning on June 9, 1985, or, if the recipient was out of the state on June 8, 1985, beginning the day after the recipient's return to the state. (Eff. / /85, Reg.)

Authority: AS 47.45.030
AS 47.45.070(4)
AS 47.45.100(1)

2 AAC 40.130 is amended by adding a new subsection to read:

(f) A recipient whose benefits were interrupted because of residence in a nursing home must reapply to the administrator within 30 days after leaving the nursing home in order to be eligible for a bonus during the first month after that change of residence. (Eff. 9/13/81, Register 79; am / /85, Register)

Authority: AS 47.45.070(2)
AS 47.45.100(1)

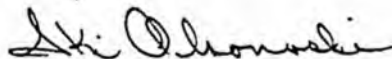
NOTICE OF ADOPTION OF EMERGENCY REGULATIONS

As required by AS 44.62.250, notice is given that, under the authority vested by AS 47.45, the Department of Administration adopted on this date, as emergency regulations, changes in Title 2 of the Alaska Administrative Code dealing with the Longevity Bonus Program, as necessitated by certain provisions of Ch. 99 SLA 1985, which are effective immediately, amending 2 AAC 40.010, 2 AAC 40.100 (a), 2 AAC 40.110 and 2 AAC 40.130 and adopting 2 AAC 40.115, relating to the disqualification of nursing home residents and absences from the state.

This action is not expected to require an increased appropriation.

Copies of these regulations may be obtained by writing the Longevity Bonus Program, Pouch CL, Juneau, Alaska 99811.

Date: June 19, 1985
Juneau, Alaska



Ski Olsonoski
Acting Commissioner
Department of Administration

ADMINISTRATION'S TESTIMONY
BEFORE THE SENATE JUDICIARY COMMITTEE
on 2/21/85

Thank you Mr. Chairman. For the record, my name is Ken Humphreys, I am Director of the Division of Retirement and Benefits. Governor Sheffield has asked that I deliver a brief statement on behalf of the Administration.

Right now, there's only one sure thing about the Alaska Longevity Bonus program: The courts have changed the original intent, and we have to change our program.

The debate about what form that program will take is far from over. It may be a annuity program, a "stair-stepping" approach, a program with a special emphasis on helping low- and middle-income senior citizens - or any combination of the three. Each approach has its advocate. The Administration is not choosing sides yet; as long as the final proposal is sound, Governor Sheffield will sign the bill.

The important thing is to debate the proposals, choose the best one, and get it done this year. We can't keep older Alaskans in limbo any longer. To get the longevity program out of limbo, we've got to get the debates out of the fog.

What's clear is that Alaska has a long tradition of respecting senior citizens. Today, a wide variety of benefits, tax credits, health care and other programs for seniors are backed up by more than \$100 million in state funds. About half of that goes to the Longevity Bonus program.

These benefits date back to the 1st Territorial Legislature, which set up the first Pioneer Home in 1913. Two years later, the territory decided that older Alaskans who were in need should get \$12.50 a month (about \$145 in current dollars) to help them stay in Alaska. Later, former Gov. Ernest Gruening called it "the first old-age pension in the United States."

That pension was revived in 1972, with a similar intent. The \$100-per-month bonus (later increased to \$250 monthly) was targeted specifically for a group of older Alaskans who had lived and worked in the state for many years.

Last year the Alaska Supreme Court struck down that residency requirement. Citing federal court decisions, the justices said "pioneer" status can't be used as a standard for a benefit program. As a result, we now have various plans for replacing the current stop-gap longevity program under debate in the Legislature. Each answers the residency question, but other questions remain.

The "stair-stepping" approach, proposed last year by Rep. Al Adams, D-Kotzebue, comes close to meeting the intent of the original Longevity Bonus program. Simply put, the bill limits the number of recipients by setting a cut-off date (to be eligible, you must turn 65 by 1992) and raising the age of eligibility each year (65 in 1992, 66 in 1993, 67 in 1994, and so on). That way, seniors who are now eligible would remain eligible for the rest of their lives; in addition, seniors between the ages of 60 and 65 (who may have been planning on the bonus to supplement retirement income) would also be "protected" for life. As that group of older Alaskans dwindled over the years, the program would eventually phase itself out.

The annuity program, introduced as a bill with 17 co-sponsors in the Alaska State Senate, combines the "stair-stepping" approach with a retirement insurance program. Like the "stair-stepping" program, the current group of older Alaskans would continue to receive a Longevity Bonus, but the amount would get smaller every year, and eventually disappear. Payments from the annuity fund would take the place of the bonus - but only if you bought into the annuity program. The price is your annual Permanent Fund dividend.

In short, if you're 40 years old now and want a full longevity payment after the age of 65, you must defer your Permanent Fund dividend each year and put it in your retirement

account. If you choose to keep your dividends each year, you'll get no annuity from the state.

It's an intriguing idea. However, some questions remain.

Senior Voice, the newspaper serving the community of older Alaskans, raised a number of those questions in a recent editorial. Among them were these: Will enough younger Alaskans give up their dividends, join the plan and make the annuity financially sound? Will the plan provide any benefit to the poor and near-poor who can't afford to give up their dividends? Will the program with no guarantees offer a secure investment for younger Alaskans? And what will happen to the approximately 800 needy senior citizens who will lose federal benefits because the Alaska program isn't based on need?

Good questions, and we should have the answers before we make a decision.

The Sheffield Administration has similar concerns. First of all, there's no guarantee people will contribute their Permanent Fund dividends to the annuity program. The incentive to join the program is a tax break: If you put your check in now, you won't have to pay federal income tax on it until you retire. However, according to the federal tax code, the annuity would clearly not be a tax-exempt investment without the state's \$79 million "front-loading."

Without the "front-loading," there's no tax break; without the tax break, many people would probably choose to invest their Permanent Fund dividends differently.

Like the editorial writer at the Senior Voice, the Administration is concerned that tying the annuity to Permanent Fund dividends could make it difficult for many Alaskans to invest in the program. Low-income families, working single mothers and rural Alaskans might have a hard time giving up needed cash now for a long-term investment.

Then there's a question the Voice didn't ask: What about the \$79 million in state money needed to build up the annuity fund over the first three years? If we decide that the annuity program is best, we may be faced with some serious changes in our spending priorities over the next several years. Considering the recent downturn in our revenue forecasts - and the continuing downward pressure on the price of oil - that three-year, \$79 million commitment could reduce our financial flexibility, along with our ability to meet other needs. What about the future beyond the three years?

Are we tying ourselves to a program that might prove practically impossible to stop? Should we include a three percent annual increase in the Alaska Longevity Bonus which is not a result of cost of living increases in the annuity program?

Will the program be viable with no provisions for early withdrawals, even in cases of dire need? What about the concerns many have expressed that their families could not benefit from their contributions if they died soon after reaching age 65.

Finally, there is the concern that a program which starts out like the federal Social Security program, based on contributions, might end up like Social Security with defined benefits and a huge unfunded liability.

All these questions need to be answered before we create a new longevity program. But whatever we choose - an annuity program, a "stair-stepping" proposal, a needs-based program, or any combination of the three - it must be fair, it must be cost-effective, and it must be created this year.

It should also retain the spirit of the laws passed by the territorial Legislature in 1915, and the state Legislature in 1972. The Longevity Bonus is a way to help keep older Alaskans in the state. That's not welfare; it's an investment in Alaska's future. Because without the wisdom and experience of the past, we wouldn't have much of a future.



Official Business

Alaska State Legislature

Senate

Committee on Judiciary

Senator Pat Rodey, Chair
Senator Tim Kelly, Vice-Chair
Senator Jan Paika
Senator Rick Halford
Senator Robert Ziegler

Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

Dear Friend:

I'm sure you're aware that the solution to the longevity bonus dilemma is one of the most difficult decisions facing the Alaska Legislature this year. This dilemma was caused by last year's Alaska Supreme Court decision declaring our current program unconstitutional. There is much debate about what form the new program should take. Proposals include an annuity program, a "stair-stepping" approach, and a program with special emphasis on helping low and middle-income senior citizens.

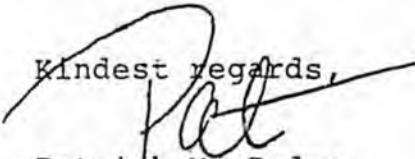
Please be assured that whatever form of longevity bonus replacement emerges from the legislature, my primary concern is to protect those seniors who are currently enrolled in the longevity bonus program. I am also committed to resolving the issue this year - - Alaska's seniors deserve the certainty of knowing their longevity bonus payments are secure.

The Senate Judiciary Committee, which I chair, recently held hearings on SB56, a bill which asks all Alaskans under age sixty-five to trade their annual permanent fund dividend checks for annuity shares which will produce monthly payments after sixty-five. Much work has gone into SB56, but some questions remain to be answered. The Senate favors the annuity approach and passed this bill on March 21.

The House appears to be headed towards approving a "stair-stepping" approach, which would limit the number of people who would participate in the future by raising the age of eligibility each year. As the group of eligible Alaskans dwindles over the years, the program would eventually phase itself out.

I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

Kindest regards,


Patrick M. Rodey



Telegram

02363

NL ANCHORAGE ALASKA 50 03-21 1413 AST

PMS

SEN RODEY

0527

JUNEAU AK

THE MUNICIPALITY OF ANCHORAGE SENIOR CITIZENS ADVISORY COMMISSION
ENDORSES THE CONCEPT OF AN ANNUITY BASED LONGEVITY BONUS AND
REQUESTS YOUR CONSIDERATION.

LED JOSEY, CHAIRMAN

VIRGINIA CARTER

CHRISTINA VONHDENE

FLORENCE ORR

THELMA LANGDON

NONA MCVICKAR

LUCIEN FOUSSARD

BETTY THIELSEN

VANEE ROBINSON

RENEE HANSEY, STAFF SUPPORT

85 MAR 21 PM 4 04

* * * * *
*
* DELIVER TO: JPOH *
* * * * *
* ORIGINAL *
* SENT: 04/01/85 TIME: 11:20 *
* FROM: LANA TRUJILLO *
* SUBJECT: POM *
* PRINT DATE: 04/01/85 TIME: 11:26 *
* * * * *

TO: SENATOR RODEY

FROM: GLORIA BOWMAN, 1355 CRESCENT, ANCHORAGE, 99508,
562-2718(HM)

RE: SB 56, LONGEVITY PROGRAM

WE APPROVE THE STAIRS STEP PROGRAM PHASING OUT LONGEVITY. NEW
PROGRAMS FOR OUR NEEDY PEOPLE SHOULD BE DEVELOPED WITH THEIR OWN
PARAMATERS.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (Jud)
 Title: An act amending the longevity bonus program
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Rtmnt & 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 IRS Match						
TOTAL OPERATING	-0-	84.5	88.7	93.2	97.9	102.7
CAPITAL		750.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		834.5	88.7	93.2	97.9	102.7
TOTAL	-0-	834.5	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
 Division: Retirement & Benefits

Phone: 465-4470
 Date: 3/12/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 3-13-85

Distribution (by Agency preparing fiscal note):

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

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

March 12, 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 \$750,000 and would be a capital appropriation from "other funds".

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.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____ Page 1 of 2

REQUEST
 Bill/Resolution No.: CSSB 56 (Jud)
 Title: An act amending the
longevity bonus program
 Sponsor: State Affairs
 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		124.5	164.7	173.0	181.6	190.7
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		61.0	67.1	73.8	81.2	89.3
400 Supplies		10.6	12.7	15.3	18.3	22.0
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	212.1	244.5	262.1	281.1	302.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	212.1	244.5	262.1	281.1	302.0
TOTAL	-0-	212.1	244.5	262.1	281.1	302.0

POSITIONS: -0-

FULL-TIME						
PART-TIME		4	4	4	4	4
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys Director Phone: 465-4470
 Division: Retirement & Benefits Date: 3/12/85

Approved by Commissioner: Lisa Rudd Date: 3-13-85
 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 (Judiciary)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 12, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four 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 two staff members 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 verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four 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)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will 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 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

COMMITTEE REPORT
SENATE

FURTHER:

FINANCE

1/30/85

Date 3 1 85

Mr. President

The Committee on JUDICIARY considered SB 56

amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 56 (Jud)
- new title
- same title and recommends DISMISS + ADOPT STATE ATTORNEY
- and attached a "LETTER OF INTENT" LETTER OF INTENT NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING

DO PASS

[Signature]

[Signature]

[Signature]

MEMBERS HAVING

OTHER RECOMMENDATIONS

[Signature]

Chairman

[Signature]

Chairman recommendation

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 dividend 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
representative)

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

28 (e) If a public agency claims a [PERMANENT FUND] dividend on
29 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) court 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,
30 minus the maximum possible straight life annuity for a person 65 years
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).

157 C. 5.

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.

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

15 (d) A person who is eligible to receive a permanent fund divi-
16 dend under this section, or who is authorized to claim a dividend on
17 behalf of another under (c) of this section, may elect to receive cash
18 in lieu of an annuity share. Alternatively, a person may elect to
19 receive 25 percent, 50 percent, or 75 percent of the dividend in cash
20 and the remainder as an annuity credit. A person who is 65 years of
21 age before January 1, 1986, may only receive cash.

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

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

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

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

6 I certify that

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

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

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

21 _____
22 (signature of individual, parent,
23 guardian, or other authorized
24 representative)

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

26 (e) If a public agency claims a [PERMANENT FUND] dividend on
27 behalf of an individual under this section, the public agency shall
28 elect 100 percent cash under AS 43.23.005(d) and hold the dividend in
29 trust for the individual. Money held in trust under this subsection

1 shall be invested by the commissioner in accordance with AS 37.10.070.

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

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

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

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

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

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

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

1 years after the improper payment. If notice is not sent within the
2 10-year period, proceedings may not be commenced in court for recovery
3 of the improper payment.

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

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

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

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

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

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

27 (3) adopt regulations under the Administrative Procedure
28 Act (AS 44.62) that establish procedures and time limits for an indi-
29 vidual upon emancipation or upon reaching majority to apply for

1 permanent fund dividends not credited or received during minority
2 because the parent, guardian, or other authorized representative did
3 not apply on behalf of the individual; [AND]

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

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

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

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

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

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

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

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

23 (b) An individual who is denied medical assistance under 42
24 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of
25 the credit or receipt of a permanent fund dividend by the individual
26 or by a member of the individual's household is eligible for state-
27 funded medical assistance under the general relief assistance program
28 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,
29 for a period not to exceed four months, the same level of medical

1 assistance as the individual would have received under 42 U.S.C.
2 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-
3 nent fund dividend program.

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

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

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

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

19 ARTICLE 2. ANNUITY PROGRAM.

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

28 (b) The legislature may appropriate either general funds, or
29 earnings of the undistributed income account in the Alaska permanent

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

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

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

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

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

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

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

1 Administration in order to meet the current demands of the annuity
2 program.

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

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

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

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

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

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

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

1 (d) Except as provided in (e) of this section, an annuity ac-
2 count may not be assigned, sold, or otherwise transferred from one
3 individual to another. The right to receive an annuity under this
4 section terminates upon the death of the person who is eligible for
5 the annuity and does not pass to that person's estate.

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.

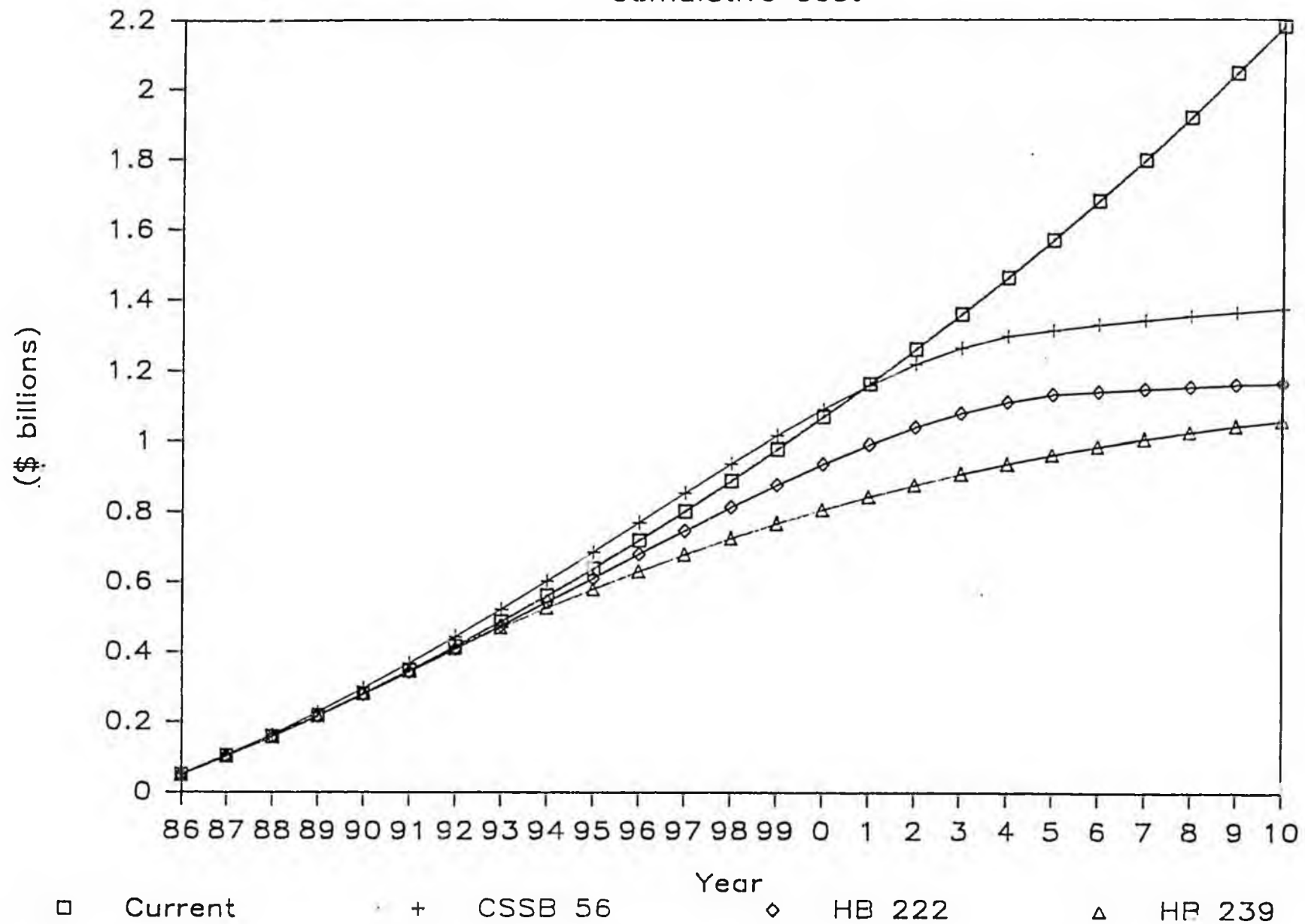
3 * Sec. 21. AS 43.23.045(c) is repealed.

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).

LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



LONGEVITY BONUS COST ANALYSIS

Current Program

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0		65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9		65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9		65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8		65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8		65	11,906	250	35.7	68.5	416.3
1993	10,273	250	30.8		65	13,588	250	40.8	71.6	487.9
1994	9,606	250	28.8		65	15,193	250	45.6	74.4	562.3
1995	8,945	250	26.8		65	16,946	250	50.8	77.7	640.0
1996	8,291	250	24.9		65	18,572	250	55.7	80.6	720.6
1997	7,644	250	22.9		65	20,048	250	60.1	83.1	803.7
1998	7,012	250	21.0		65	21,645	250	64.9	86.0	889.6
1999	6,396	250	19.2		65	23,160	250	69.5	88.7	978.3
2000	5,799	250	17.4		65	24,712	250	74.1	91.5	1,069.8
2001	5,225	250	15.7		65	26,234	250	78.7	94.4	1,164.2
2002	4,676	250	14.0		65	27,764	250	83.3	97.3	1,261.5
2003	4,156	250	12.5		65	29,292	250	87.9	100.3	1,361.9
2004	3,666	250	11.0		65	30,817	250	92.5	103.4	1,465.3
2005	3,210	250	9.6		65	32,511	250	97.5	107.2	1,572.5
2006	2,788	250	8.4		65	34,342	250	103.0	111.4	1,683.9
2007	2,402	250	7.2		65	36,087	250	108.3	115.5	1,799.3
2008	2,050	250	6.2		65	38,259	250	114.8	120.9	1,920.3
2009	1,778	250	5.3		65	40,416	250	121.2	126.6	2,046.8
2010	1,449	250	4.3		65	42,563	250	127.7	132.0	2,178.9

Prepared by the House Research Agency

01-Mar-85

LONGEVITY BONUS COST ANALYSIS

CSSB 56 and HB 210

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	258	44.3		65	3,419	253	10.4	54.7	104.9
1988	13,660	265	43.5		65	5,109	255	15.6	59.1	164.0
1989	12,974	273	42.5		65	6,854	256	21.1	63.6	227.6
1990	12,293	281	41.5		65	8,620	256	26.5	68.0	295.6
1991	11,616	290	40.4		65	10,292	256	31.6	72.0	367.6
1992	10,943	299	39.2		65	11,906	254	36.2	75.4	443.0
1993	10,273	307	37.9		65	13,588	250	40.8	78.7	521.7
1994	9,606	317	36.5		65	15,193	245	44.6	81.1	602.8
1995	8,945	326	35.0		65	16,946	238	48.3	83.3	686.1
1996	8,291	336	33.4		65	18,572	228	50.9	84.3	770.4
1997	7,644	346	31.7		65	20,048	216	52.1	83.8	854.3
1998	7,012	356	30.0		65	21,645	202	52.5	82.5	936.7
1999	6,396	367	28.2		65	23,160	184	51.3	79.4	1,016.2
2000	5,799	378	26.3		65	24,712	163	48.5	74.8	1,091.0
2001	5,225	389	24.4		65	26,234	139	43.7	68.1	1,159.1
2002	4,678	401	22.5		65	27,764	110	36.6	59.1	1,218.2
2003	4,156	413	20.6		65	29,292	77	26.9	47.5	1,265.7
2004	3,666	426	18.7		65	30,817	38	14.1	32.9	1,298.6
2005	3,210	438	16.9		65	32,511	0	0.0	16.9	1,315.5
2006	2,788	452	15.1		65	34,342	0	0.0	15.1	1,330.6
2007	2,402	465	13.4		65	36,087	0	0.0	13.4	1,344.0
2008	2,050	479	11.8		65	38,259	0	0.0	11.8	1,355.8
2009	1,778	493	10.5		65	40,416	0	0.0	10.5	1,366.3
2010	1,449	508	8.8		65	42,563	0	0.0	8.8	1,375.1

LONGEVITY BONUS COST ANALYSIS

HB 222 (Larson's Bill - Mandatory)

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	248	10.2	53.2	103.4
1988	13,660	250	41.0		65	5,109	245	15.0	56.0	159.4
1989	12,974	250	38.9		65	6,854	241	19.9	58.8	218.2
1990	12,293	250	36.9		65	8,620	237	24.6	61.4	279.6
1991	11,616	250	34.8		65	10,292	233	28.8	63.6	343.3
1992	10,943	250	32.8		65	11,906	228	32.5	65.3	408.6
1993	10,273	250	30.8		65	13,588	221	36.1	66.9	475.5
1994	9,606	250	28.8		65	15,193	214	39.0	67.8	543.3
1995	8,945	250	26.8		65	16,946	206	41.8	68.7	612.0
1996	8,291	250	24.9		65	18,572	196	43.7	68.6	680.6
1997	7,644	250	22.9		65	20,048	185	44.6	67.5	748.1
1998	7,012	250	21.0		65	21,645	173	44.9	65.9	814.0
1999	6,396	250	19.2		65	23,160	159	44.1	63.3	877.3
2000	5,799	250	17.4		65	24,712	143	42.3	59.7	937.0
2001	5,225	250	15.7		65	26,234	125	39.2	54.9	991.9
2002	4,676	250	14.0		65	27,764	104	34.8	48.8	1,040.7
2003	4,156	250	12.5		65	29,292	82	28.7	41.2	1,081.9
2004	3,666	250	11.0		65	30,817	56	20.8	31.8	1,113.7
2005	3,210	250	9.6		65	32,511	28	10.9	20.5	1,134.2
2006	2,788	250	8.4		65	34,342	0	0.0	8.4	1,142.6
2007	2,402	250	7.2		65	36,087	0	0.0	7.2	1,149.8
2008	2,050	250	6.2		65	38,259	0	0.0	6.2	1,155.9
2009	1,778	250	5.3		65	40,416	0	0.0	5.3	1,161.3
2010	1,449	250	4.3		65	42,563	0	0.0	4.3	1,165.6

LONGEVITY BONUS COST ANALYSIS

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: None

HB 239

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0		65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9		65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9		65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8		65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8		66	9,982	250	29.9	62.8	410.6
1993	10,273	250	30.8		67	9,665	250	29.0	59.8	470.4
1994	9,606	250	28.8		68	9,346	250	28.0	56.9	527.2
1995	8,945	250	26.8		69	9,029	250	27.1	53.9	581.2
1996	8,291	250	24.9		70	8,710	250	26.1	51.0	632.2
1997	7,644	250	22.9		71	8,388	250	25.2	48.1	680.3
1998	7,012	250	21.0		72	8,059	250	24.2	45.2	725.5
1999	6,396	250	19.2		73	7,720	250	23.2	42.3	767.8
2000	5,799	250	17.4		74	7,370	250	22.1	39.5	807.3
2001	5,225	250	15.7		75	7,008	250	21.0	36.7	844.0
2002	4,676	250	14.0		76	6,637	250	19.9	33.9	878.0
2003	4,156	250	12.5		77	6,255	250	18.8	31.2	909.2
2004	3,666	250	11.0		78	5,864	250	17.6	28.6	937.8
2005	3,210	250	9.6		79	5,466	250	16.4	26.0	963.8
2006	2,788	250	8.4		80	5,063	250	15.2	23.6	987.4
2007	2,402	250	7.2		81	4,657	250	14.0	21.2	1,008.5
2008	2,050	250	6.2		82	4,254	250	12.8	18.9	1,027.5
2009	1,778	250	5.3		83	3,857	250	11.6	16.9	1,044.4
2010	1,449	250	4.3		84	3,473	250	10.4	14.8	1,059.1

Prepared by the House Research Agency

04-Mar-85

ALB CASES WITH ZERO FRONT LOADING AND ZERO ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1,85	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL*	CURRENT LAW
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$250.00	\$4.37	\$245.63	17,768	14,349	3,419	17,768	-0-	\$53.1	\$53.3	\$53.3
1988	\$250.00	\$9.70	\$240.30	18,769	13,660	5,109	18,769	-0-	\$55.7	\$56.3	\$56.3
1989	\$250.00	\$16.03	\$233.97	19,828	12,974	6,854	19,828	-0-	\$58.2	\$59.5	\$59.5
1990	\$250.00	\$23.55	\$226.45	20,913	12,293	8,620	20,913	-0-	\$60.3	\$62.7	\$62.7
1991	\$250.00	\$32.50	\$217.50	21,908	11,616	10,292	21,908	-0-	\$61.7	\$65.7	\$65.7
1992	\$250.00	\$43.06	\$206.94	22,849	10,943	11,906	20,839	2,010	\$62.4	\$62.5	\$68.5
1993	\$250.00	\$55.44	\$194.56	23,861	10,273	13,588	19,890	3,971	\$62.5	\$59.7	\$71.6
1994	\$250.00	\$69.89	\$180.11	24,799	9,606	15,193	18,823	5,976	\$61.7	\$56.5	\$74.4
1995	\$250.00	\$83.72	\$163.28	25,891	8,945	16,946	17,940	7,951	\$60.0	\$53.8	\$77.7
1996	\$250.00	\$106.27	\$143.73	26,863	8,291	18,572	16,873	9,990	\$56.9	\$50.6	\$80.6
1997	\$250.00	\$128.70	\$121.30	27,692	7,644	20,048	15,819	11,873	\$52.1	\$47.5	\$83.1
1998	\$250.00	\$154.42	\$95.58	28,657	7,012	21,645	14,934	13,723	\$45.9	\$44.8	\$86.0
1999	\$250.00	\$183.86	\$66.14	29,556	6,396	23,160	13,969	15,587	\$37.6	\$41.9	\$88.7
2000	\$250.00	\$217.46	\$32.54	30,511	5,799	24,712	13,031	17,480	\$27.0	\$39.1	\$91.5
2001	\$250.00	\$255.10	\$.00	31,459	5,225	26,234	12,098	19,361	\$15.7	\$36.3	\$94.4
2002	\$250.00	\$298.96	\$.00	32,440	4,676	27,764	11,193	21,247	\$14.0	\$33.6	\$97.3
2003	\$250.00	\$347.74	\$.00	33,448	4,156	29,292	10,306	23,142	\$12.5	\$30.9	\$100.3
2004	\$250.00	\$492.63	\$.00	34,483	3,666	30,817	9,438	25,045	\$11.0	\$28.3	\$103.4
2005	\$250.00	\$464.27	\$.00	35,721	3,210	32,511	8,639	27,082	\$9.6	\$25.9	\$107.2
2006	\$250.00	\$533.39	\$.00	37,130	2,780	34,342	7,850	29,280	\$8.4	\$23.5	\$111.4
2007	\$250.00	\$610.77	\$.00	38,489	2,402	36,087	7,043	31,446	\$7.2	\$21.1	\$115.5
2008	\$250.00	\$697.21	\$.00	40,309	2,050	38,259	6,359	33,950	\$6.2	\$19.1	\$120.9
2009	\$250.00	\$793.66	\$.00	42,194	1,778	40,416	5,640	36,554	\$5.3	\$16.9	\$126.6
2010	\$250.00	\$901.13	\$.00	44,012	1,449	42,563	4,950	39,062	\$4.3	\$14.9	\$132.0
2011	\$250.00	\$1,020.72	\$.00	45,000	1,213	43,787	4,243	40,757	\$3.6	\$12.7	\$135.0
2012	\$250.00		\$.00	45,000	1,003	43,997	3,669	41,331	\$3.0	\$11.0	\$135.0
2013	\$250.00		\$.00	45,000	819	44,181	3,161	41,839	\$2.5	\$9.5	\$135.0
2014	\$250.00		\$.00	45,000	658	44,342	2,698	42,302	\$2.0	\$8.1	\$135.0
2015	\$250.00		\$.00	45,000	521	44,479	2,340	42,660	\$1.6	\$7.0	\$135.0
2016	\$250.00		\$.00	45,000	405	44,595	1,907	43,093	\$1.2	\$5.7	\$135.0
2017	\$250.00		\$.00	45,000	309	44,691	1,596	43,404	\$.9	\$4.8	\$135.0
2018	\$250.00		\$.00	45,000	231	44,769	1,320	43,680	\$.7	\$4.0	\$135.0
2019	\$250.00	continues	\$.00	45,000	169	44,831	1,078	43,922	\$.5	\$3.2	\$135.0
2020	\$250.00	continues	\$.00	45,000	114	44,886	866	44,134	\$.3	\$2.6	\$135.0
2021	\$250.00	to	\$.00	45,000	76	44,924	686	44,314	\$.2	\$2.1	\$135.0
2022	\$250.00	increase	\$.00	45,000	48	44,952	533	44,467	\$.1	\$1.6	\$135.0
2023	\$250.00		\$.00	45,000	31	44,969	407	44,593	\$.1	\$1.2	\$135.0
2024	\$250.00		\$.00	45,000	18	44,982	304	44,696	\$.1	\$.9	\$135.0
2025	\$250.00		\$.00	45,000	10	44,990	222	44,778	\$.0	\$.7	\$135.0
2026	\$250.00		\$.00	45,000	5	44,995	150	44,850	\$.0	\$.4	\$135.0
2027	\$250.00		\$.00	45,000	3	44,997	100	44,900	\$.0	\$.3	\$135.0
2028	\$250.00		\$.00	45,000	1	44,999	63	44,937	\$.0	\$.2	\$135.0
2029	\$250.00		\$.00	45,000		45,000	41	44,959	\$.0	\$.1	\$135.0
2030	\$250.00		\$.00	45,000		45,000	24	44,976	\$.0	\$.1	\$135.0
2031	\$250.00		\$.00	45,000		45,000	13	44,987	\$.0	\$.0	\$135.0
2032	\$250.00		\$.00	45,000		45,000	7	44,993	\$.0	\$.0	\$135.0
2033	\$250.00		\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$135.0
2034	\$250.00		\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$135.0

	NOMINAL DOLLARS, 1987-1989	\$.0	\$.0	\$.0
FRONT LOADING PAYMENTS	CONSTANT 1985 DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	PRESENT VALUE IN 1985	\$.0	\$.0	\$.0

NOTES:

* Persons 65 before 1992 are grandfathered.

	NOMINAL DOLLARS	\$916.5	\$1,131.0	\$5,418.9
TOTAL COSTS	CONSTANT 1985 DOLLARS	\$566.1	\$625.0	\$1,391.1
	PRESENT VALUE IN 1985	\$464.1	\$496.9	\$879.8

ALB CASES WITH THREE YEAR FRONT LOADING AND ZERO ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL**	CURRENT LAW
1986	\$250.00	\$ 00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$250.00	\$11.92	\$238.08	17,768	14,349	3,419	17,768	-0-	\$52.8*	\$53.3	\$53.3
1988	\$250.00	\$24.86	\$225.14	18,769	13,660	5,109	18,769	-0-	\$54.8*	\$56.3	\$56.3
1989	\$250.00	\$39.05	\$210.95	19,828	12,974	6,854	19,828	-0-	\$56.3*	\$59.5	\$59.5
1990	\$250.00	\$46.94	\$203.06	20,913	12,293	8,620	20,913	-0-	\$57.9	\$62.7	\$62.7
1991	\$250.00	\$56.27	\$193.73	21,908	11,616	10,292	21,908	-0-	\$58.8	\$65.7	\$65.7
1992	\$250.00	\$67.21	\$182.79	22,849	10,943	11,906	20,839	2,010	\$58.9	\$62.5	\$68.5
1993	\$250.00	\$79.93	\$170.07	23,861	10,273	13,588	19,850	3,971	\$58.5	\$59.7	\$71.6
1994	\$250.00	\$94.67	\$155.33	24,799	9,606	15,193	18,823	5,976	\$57.1	\$56.5	\$74.4
1995	\$250.00	\$111.73	\$138.27	25,891	8,945	16,946	17,940	7,951	\$55.0	\$53.8	\$77.7
1996	\$250.00	\$131.53	\$118.47	26,863	8,291	18,572	16,873	9,990	\$51.3	\$50.6	\$80.6
1997	\$250.00	\$154.20	\$95.80	27,692	7,644	20,048	15,819	11,873	\$46.0	\$47.5	\$83.1
1998	\$250.00	\$180.13	\$69.87	28,657	7,012	21,645	14,934	13,723	\$39.2	\$44.8	\$86.0
1999	\$250.00	\$209.76	\$40.24	29,556	6,396	23,160	13,969	15,587	\$30.4	\$41.9	\$88.7
2000	\$250.00	\$243.52	\$6.48	30,511	5,799	24,712	13,031	17,480	\$19.3	\$39.1	\$91.5
2001	\$250.00	\$281.92	\$.00	31,459	5,225	26,234	12,098	19,361	\$15.7	\$36.3	\$94.4
2002	\$250.00	\$325.34	\$.00	32,448	4,676	27,764	11,193	21,247	\$14.0	\$33.6	\$97.3
2003	\$250.00	\$374.26	\$.00	33,448	4,156	29,292	10,206	23,142	\$12.5	\$30.9	\$100.3
2004	\$250.00	\$429.25	\$.00	34,463	3,666	30,817	9,438	25,045	\$11.0	\$28.3	\$103.4
2005	\$250.00	\$490.97	\$.00	35,721	3,210	32,511	8,639	27,082	\$9.6	\$25.9	\$107.2
2006	\$250.00	\$560.18	\$.00	37,130	2,788	34,342	7,850	29,280	\$8.4	\$23.5	\$111.4
2007	\$250.00	\$637.63	\$.00	38,489	2,402	36,087	7,043	31,446	\$7.2	\$21.1	\$115.5
2008	\$250.00	\$724.15	\$.00	40,309	2,050	38,259	6,359	33,950	\$6.2	\$19.1	\$120.9
2009	\$250.00	\$820.68	\$.00	42,194	1,778	40,416	5,640	36,554	\$5.3	\$16.9	\$126.6
2010	\$250.00	\$928.22	\$.00	44,012	1,449	42,563	4,950	39,062	\$4.3	\$14.9	\$132.0
2011	\$250.00	\$1,047.88	\$.00	45,000	1,213	43,787	4,243	40,757	\$3.6	\$12.7	\$135.0
2012	\$250.00		\$.00	45,000	1,003	43,997	3,669	41,331	\$3.0	\$11.0	\$135.0
2013	\$250.00		\$.00	45,000	819	44,181	3,161	41,839	\$2.5	\$9.5	\$135.0
2014	\$250.00		\$.00	45,000	658	44,342	2,628	42,302	\$2.0	\$8.1	\$135.0
2015	\$250.00		\$.00	45,000	521	44,479	2,340	42,660	\$1.6	\$7.0	\$135.0
2016	\$250.00		\$.00	45,000	405	44,595	1,907	43,093	\$1.2	\$5.7	\$135.0
2017	\$250.00		\$.00	45,000	309	44,691	1,596	43,404	\$.9	\$4.8	\$135.0
2018	\$250.00		\$.00	45,000	231	44,769	1,220	43,680	\$.7	\$4.0	\$135.0
2019	\$250.00		\$.00	45,000	169	44,831	1,078	43,922	\$.5	\$3.2	\$135.0
2020	\$250.00	continues	\$.00	45,000	114	44,886	866	44,134	\$.3	\$2.6	\$135.0
2021	\$250.00	to	\$.00	45,000	76	44,924	686	44,314	\$.2	\$2.1	\$135.0
2022	\$250.00	increase	\$.00	45,000	48	44,952	533	44,467	\$.1	\$1.6	\$135.0
2023	\$250.00		\$.00	45,000	31	44,969	407	44,593	\$.1	\$1.2	\$135.0
2024	\$250.00		\$.00	45,000	18	44,982	304	44,696	\$.1	\$.9	\$135.0
2025	\$250.00		\$.00	45,000	10	44,990	222	44,778	\$.0	\$.7	\$135.0
2026	\$250.00		\$.00	45,000	5	44,995	150	44,850	\$.0	\$.4	\$135.0
2027	\$250.00		\$.00	45,000	3	44,997	100	44,900	\$.0	\$.3	\$135.0
2028	\$250.00		\$.00	45,000	1	44,999	63	44,937	\$.0	\$.2	\$135.0
2029	\$250.00		\$.00	45,000		45,000	41	44,959	\$.0	\$.1	\$135.0
2030	\$250.00		\$.00	45,000		45,000	24	44,976	\$.0	\$.1	\$135.0
2031	\$250.00		\$.00	45,000		45,000	13	44,987	\$.0	\$.0	\$135.0
2032	\$250.00		\$.00	45,000		45,000	7	44,993	\$.0	\$.0	\$135.0
2033	\$250.00		\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$135.0
2034	\$250.00		\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$135.0

NOTES:	FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989	\$79.4	\$.0	\$.0
		CONSTANT 1985 DOLLARS, 1987-1989	\$66.6	\$.0	\$.0
		PRESENT VALUE IN 1985	\$61.3	\$.0	\$.0
* Plus annual "front loading" costs of \$25.2 in '87, \$26.5 in '88, and \$27.7 in '89.	TOTAL COSTS	NOMINAL DOLLARS	\$937.0	\$1,131.0	\$5,418.9
** Persons 65 before 1992 are grandfathered.		CONSTANT 1985 DOLLARS	\$600.4	\$625.0	\$1,391.1
		PRESENT VALUE IN 1985	\$500.8	\$496.9	\$879.8

ALB CASES WITH ZERO FRONT LOADING AND THREE PERCENT ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL* with escalator	CURRENT LAW
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$4.37	\$253.13	17,768	14,349	3,419	17,768	-0-	\$54.7	\$54.9	\$54.9
1988	\$265.23	\$9.70	\$255.53	18,769	13,660	5,109	18,769	-0-	\$59.1	\$59.7	\$59.7
1989	\$273.18	\$16.03	\$257.15	19,828	12,974	6,854	19,828	-0-	\$63.7	\$65.0	\$65.0
1990	\$281.38	\$23.55	\$257.83	20,913	12,293	8,620	20,913	-0-	\$68.2	\$70.6	\$70.6
1991	\$289.82	\$32.50	\$257.32	21,908	11,616	10,292	21,908	-0-	\$72.2	\$76.2	\$76.2
1992	\$298.51	\$43.06	\$255.45	22,849	10,943	11,906	20,839	2,010	\$75.7	\$74.6	\$81.8
1993	\$307.47	\$55.44	\$252.03	23,861	10,273	13,588	19,090	3,971	\$79.0	\$73.4	\$88.0
1994	\$316.69	\$69.89	\$246.80	24,799	9,606	15,193	18,823	5,976	\$81.5	\$71.5	\$94.2
1995	\$326.19	\$86.72	\$239.47	25,891	8,945	16,946	17,940	7,951	\$83.7	\$70.2	\$101.3
1996	\$335.98	\$106.27	\$229.71	26,863	8,291	18,572	16,873	9,990	\$84.6	\$68.0	\$108.3
1997	\$346.06	\$128.70	\$217.36	27,692	7,644	20,048	15,819	11,873	\$84.0	\$65.7	\$115.0
1998	\$356.44	\$154.42	\$202.02	28,657	7,012	21,645	14,934	13,723	\$82.5	\$63.9	\$122.6
1999	\$367.13	\$183.86	\$183.27	29,556	6,396	23,160	11,969	15,587	\$79.1	\$61.5	\$130.2
2000	\$378.15	\$217.46	\$160.69	30,511	5,799	24,712	13,031	17,480	\$74.0	\$59.1	\$138.5
2001	\$389.49	\$255.10	\$134.39	31,459	5,225	26,234	12,098	19,361	\$66.7	\$56.5	\$147.0
2002	\$401.18	\$298.96	\$102.22	32,440	4,676	27,764	11,193	21,247	\$56.6	\$53.9	\$156.2
2003	\$413.21	\$347.74	\$65.47	33,448	4,156	29,292	10,306	23,142	\$43.6	\$51.1	\$165.9
2004	\$425.61	\$402.63	\$22.98	34,483	3,666	30,817	9,438	25,045	\$27.2	\$48.2	\$176.1
2005	\$438.38	\$464.27	\$.00	35,721	3,210	32,511	8,639	27,082	\$16.0	\$45.4	\$187.9
2006	\$451.53	\$533.39	\$.00	37,130	2,708	34,342	7,850	29,280	\$15.1	\$42.5	\$201.2
2007	\$465.07	\$610.77	\$.00	38,489	2,402	36,087	7,043	31,446	\$13.4	\$39.3	\$214.8
2008	\$479.03	\$697.21	\$.00	40,309	2,050	38,259	6,359	33,950	\$11.8	\$36.6	\$231.7
2009	\$493.40	\$793.66	\$.00	42,194	1,778	40,416	5,640	36,554	\$10.5	\$33.4	\$249.8
2010	\$508.20	\$901.13	\$.00	44,012	1,449	42,563	4,950	39,062	\$8.0	\$30.2	\$268.4
2011	\$523.44	\$1,020.72	\$.00	45,000	1,213	43,787	4,243	40,757	\$7.6	\$26.7	\$282.7
2012	\$539.15	\$.00	\$.00	45,000	1,003	43,997	3,669	41,331	\$6.5	\$23.7	\$291.1
2013	\$555.32	\$.00	\$.00	45,000	819	44,181	3,161	41,839	\$5.5	\$21.1	\$299.9
2014	\$571.98	\$.00	\$.00	45,000	658	44,342	2,698	42,302	\$4.5	\$18.5	\$308.9
2015	\$589.14	\$.00	\$.00	45,000	521	44,479	2,340	42,660	\$3.7	\$16.5	\$318.1
2016	\$606.82	\$.00	\$.00	45,000	405	44,595	1,907	43,093	\$2.9	\$13.9	\$327.7
2017	\$625.02	\$.00	\$.00	45,000	309	44,691	1,596	43,404	\$2.3	\$12.0	\$337.5
2018	\$643.77	\$.00	\$.00	45,000	231	44,769	1,320	43,680	\$1.8	\$10.2	\$347.6
2019	\$663.08	\$.00	\$.00	45,000	169	44,831	1,078	43,922	\$1.3	\$8.6	\$358.1
2020	\$682.98	continues	\$.00	45,000	114	44,886	866	44,134	\$.9	\$7.1	\$368.8
2021	\$703.47	to	\$.00	45,000	76	44,924	686	44,314	\$.6	\$5.8	\$379.9
2022	\$724.57	increase	\$.00	45,000	48	44,952	533	44,467	\$.4	\$4.6	\$391.3
2023	\$746.31	\$.00	\$.00	45,000	31	44,969	407	44,593	\$.3	\$3.6	\$403.0
2024	\$768.70	\$.00	\$.00	45,000	18	44,982	304	44,696	\$.2	\$2.8	\$415.1
2025	\$791.76	\$.00	\$.00	45,000	10	44,990	222	44,778	\$.1	\$2.1	\$427.5
2026	\$815.51	\$.00	\$.00	45,000	5	44,995	150	44,850	\$.0	\$1.5	\$440.4
2027	\$839.97	\$.00	\$.00	45,000	3	44,997	100	44,900	\$.0	\$1.0	\$453.6
2028	\$865.17	\$.00	\$.00	45,000	1	44,999	63	44,937	\$.0	\$.7	\$467.2
2029	\$891.13	\$.00	\$.00	45,000		45,000	41	44,959	\$.0	\$.4	\$481.2
2030	\$917.86	\$.00	\$.00	45,000		45,000	24	44,976	\$.0	\$.3	\$495.6
2031	\$945.40	\$.00	\$.00	45,000		45,000	13	44,987	\$.0	\$.1	\$513.5
2032	\$973.76	\$.00	\$.00	45,000		45,000	7	44,993	\$.0	\$.1	\$525.8
2033	\$1,002.97	\$.00	\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$541.6
2034	\$1,033.06	\$.00	\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$557.9

FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	CONSTANT 1985 DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	PRESENT VALUE IN 1985	\$.0	\$.0	\$.0

NOTES:

* Persons 65 before 1992 are grand-fathered.

TOTAL COSTS	NOMINAL DOLLARS	\$1,401.7	\$1,603.2	\$13,086.7
	CONSTANT 1985 DOLLARS	\$783.7	\$801.9	\$2,501.1
	PRESENT VALUE IN 1985	\$616.9	\$615.7	\$1,392.6

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL** with escalator	CURRENT LAW with escalator
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	17,768	14,349	3,419	17,768	-0-	\$54.4*	\$54.9	\$54.9
1988	\$265.23	\$24.86	\$240.37	18,769	13,660	5,109	18,769	-0-	\$58.2*	\$59.7	\$59.7
1989	\$273.18	\$39.05	\$234.13	19,828	12,974	6,854	19,828	-0-	\$61.8*	\$65.3	\$65.0
1990	\$281.38	\$46.94	\$234.44	20,913	12,293	8,620	20,913	-0-	\$65.8	\$70.6	\$70.6
1991	\$289.87	\$56.27	\$233.55	21,908	11,616	10,292	21,908	-0-	\$69.2	\$76.2	\$76.2
1992	\$298.5	\$67.21	\$231.30	22,849	10,943	11,906	20,839	2,010	\$72.2	\$74.6	\$81.8
1993	\$307.47	\$79.93	\$227.54	23,861	10,273	13,588	19,890	3,971	\$75.0	\$73.4	\$88.0
1994	\$316.69	\$94.67	\$222.02	24,799	9,606	15,193	18,823	5,976	\$77.0	\$71.5	\$4.2
1995	\$326.19	\$111.73	\$214.46	25,891	8,945	16,946	17,940	7,951	\$78.6	\$70.2	3
1996	\$335.98	\$131.53	\$204.45	26,863	8,291	18,572	16,873	9,990	\$79.0	\$68.0	108.3
1997	\$346.06	\$154.20	\$191.86	27,692	7,644	20,048	15,819	11,873	\$77.9	\$65.7	\$115.0
1998	\$356.44	\$180.13	\$176.31	28,657	7,012	21,645	14,934	13,723	\$75.8	\$63.9	\$122.6
1999	\$367.13	\$209.76	\$157.37	29,556	6,396	23,160	13,969	15,587	\$71.9	\$61.5	\$130.2
2000	\$378.15	\$243.52	\$134.63	30,511	5,799	24,712	13,031	17,480	\$66.2	\$59.1	\$138.5
2001	\$389.49	\$281.92	\$107.57	31,459	5,225	26,234	12,098	19,361	\$58.3	\$56.5	\$147.0
2002	\$401.18	\$325.34	\$75.84	32,440	4,676	27,764	11,193	21,247	\$47.8	\$53.9	\$156.2
2003	\$413.21	\$374.26	\$38.95	33,448	4,156	29,292	10,306	23,142	\$34.3	\$51.1	\$165.9
2004	\$425.61	\$429.25	\$.00	34,483	3,666	30,817	9,438	25,045	\$18.7	\$48.2	\$176.1
2005	\$438.38	\$490.97	\$.00	35,721	3,210	32,511	8,639	27,082	\$16.9	\$45.4	\$187.9
2006	\$451.53	\$560.18	\$.00	37,130	2,788	34,342	7,850	29,280	\$15.1	\$42.5	\$201.2
2007	\$465.07	\$637.63	\$.00	38,489	2,402	36,087	7,043	31,446	\$13.4	\$39.3	\$214.8
2008	\$479.03	\$724.15	\$.00	40,309	2,050	38,259	6,359	33,950	\$11.8	\$36.6	\$231.7
2009	\$493.40	\$820.68	\$.00	42,194	1,778	40,416	5,640	36,554	\$10.5	\$33.4	\$249.8
2010	\$508.20	\$928.22	\$.00	44,012	1,449	42,563	4,950	39,062	\$8.8	\$30.2	\$268.4
2011	\$523.44	\$1,047.88	\$.00	45,000	1,213	43,787	4,243	40,757	\$7.6	\$26.7	\$282.7
2012	\$539.15	\$.00	\$.00	45,000	1,003	43,997	3,669	41,331	\$6.5	\$23.7	\$291.1
2013	\$555.32	\$.00	\$.00	45,000	819	44,181	3,161	41,839	\$5.5	\$21.1	\$299.9
2014	\$571.98	\$.00	\$.00	45,000	658	44,342	2,690	42,302	\$4.5	\$18.5	\$308.9
2015	\$589.14	\$.00	\$.00	45,000	521	44,499	2,340	42,660	\$3.7	\$16.5	\$318.1
2016	\$606.82	\$.00	\$.00	45,000	405	44,595	1,907	43,093	\$2.9	\$13.9	\$327.7
2017	\$625.02	\$.00	\$.00	45,000	309	44,691	1,596	43,404	\$2.3	\$12.0	\$337.5
2018	\$643.77	\$.00	\$.00	45,000	231	44,769	1,320	43,680	\$1.8	\$10.2	\$347.6
2019	\$663.08	\$.00	\$.00	45,000	169	44,831	1,078	43,922	\$1.3	\$8.6	\$358.1
2020	\$682.98	continues	\$.00	45,000	114	44,886	866	44,134	\$.9	\$7.1	\$368.0
2021	\$703.47	to	\$.00	45,000	76	44,924	686	44,314	\$.6	\$5.8	\$379.9
2022	\$724.57	increase	\$.00	45,000	48	44,952	533	44,467	\$.4	\$4.6	\$391.3
2023	\$746.31	\$.00	\$.00	45,000	31	44,969	407	44,593	\$.3	\$3.6	\$403.0
2024	\$768.70	\$.30	\$.30	45,000	18	44,982	304	44,696	\$.2	\$2.8	\$415.1
2025	\$791.76	\$.00	\$.00	45,000	10	44,990	222	44,770	\$.1	\$2.1	\$427.5
2026	\$815.51	\$.00	\$.00	45,000	5	44,995	150	44,850	\$.0	\$1.5	\$440.4
2027	\$839.97	\$.00	\$.00	45,000	3	44,997	100	44,900	\$.0	\$1.0	\$453.6
2028	\$865.17	\$.00	\$.00	45,000	1	44,999	63	44,937	\$.0	\$.7	\$467.2
2029	\$891.13	\$.00	\$.00	45,000		45,000	41	44,959	\$.0	\$.4	\$481.2
2030	\$917.06	\$.00	\$.00	45,000		45,000	24	44,976	\$.0	\$.3	\$495.6
2031	\$945.40	\$.00	\$.00	45,000		45,000	13	44,987	\$.0	\$.1	\$510.5
2032	\$973.76	\$.00	\$.00	45,000		45,000	7	44,993	\$.0	\$.1	\$525.0
2033	\$1,002.97	\$.00	\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$541.6
2034	\$1,033.06	\$.00	\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$557.9

NOTES:

* Plus annual "front loading" costs of \$25.2 in '87, \$26.5 in '88, and \$27.7 in '89.

** Persons 65 before 1992 are grandfathered.

FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989	\$79.4	\$.0	\$.0
	CONSTANT 1985 DOLLARS, 1987-1989	\$66.6	\$.0	\$.0
	PRESENT VALUE IN 1985	\$61.3	\$.0	\$.0
TOTAL COSTS	NOMINAL DOLLARS	\$1,387.2	\$1,603.2	\$1,086.7
	CONSTANT 1985 DOLLARS	\$805.3	\$801.9	\$2,501.1
	PRESENT VALUE IN 1985	\$645.8	\$615.7	\$1,392.6

*with language
corrected by
Keith Almy*

CSSB56 (State Affairs)
AMENDMENTS OFFERED/ADOPTED 3/7/85

AMENDMENT #1 - ADOPTED

Page 2, line 23 after "receive":

Delete "not less than 25 percent" and insert "25 percent, 50 percent or 75 percent"

AMENDMENT #2 - FAILED

Page 2, line 26

Insert:

"(e) An election made under (d) of this section for a dividend year is binding and irrevocable for that year."

AMENDMENT #3 - ADOPTED

Page 3, line 29, after "(e)":

Insert:

"If a public agency claims a dividend on behalf of an individual under this section, the public agency shall elect 100% cash under AS 43.23.005."

AMENDMENT #4 - ADOPTED

Page 3, line 21

After "me," delete "including" and insert:

"appropriations allocated to my annuity account in accordance with AS.43.23.110(b), and"

AMENDMENT #5 - ADOPTED

Page 7, lines 5-7

Delete all material and insert:

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

AMENDMENT #6 - ADOPTED

Page 10, lines 19, 20:

delete "during the life of the annuitant"

Page 10, line 20:

delete ". The amount of the monthly payment shall be"

Page 10, lines 22, 23, after "account":

delete remainder of sentence, and insert ". An annuity shall be paid in the form of a straight life annuity or other payment plan authorized by the Department of Administration."

Page 11, line 24, after "possible":

insert "straight life"

AMENDMENT #7 - ADOPTED

Page 1, line 21 after "program":

delete ", and to encourage Alaskans to participate in that program by authorizing general fund supplements that would result in annuity payments that are larger than an individual could earn through private investment of the permanent fund dividend"

AMENDMENT #8 - ADOPTED

Page 8, line 23, after first sentence:

insert "The annuity investment fund consists of amounts transferred from the dividend fund, amounts appropriated by law to the annuity investment fund, and income earned by the annuity investment fund."

Page 9, lines 21-23, after "credit":

delete all material and insert "the net income of the annuity investment fund to the individual annuity accounts."

Page 10, line 8, after "contracts":

insert "purchased from insurance companies that have a Best's Policyholders' rating of A or better and belong to Best's financial size Group XV at the time of purchase"

AMENDMENT #9 - ADOPTED (3/8/85)

Page 2, line 17

add: "and may elect to take the dividend as an annuity share for the future benefit of the minor."

Page 2, line 25

after "cash" add: "and may not elect to receive an annuity share."

Page 10, line 26

after "in" add: "(b) and"

Page 10, line 28

after "another." delete "The right to receive an annuity under this section terminates upon the death of the person who is eligible for the annuity and does not pass to that person's estate."

CSSB56 (State Affairs)
AMENDMENTS OF HOUSE/D/ADOPTED 3/7/85

*As passed
3/7/85*

AMENDMENT #1 - ADOPTED

Page 2, line 23 after "receive":

Delete "not less than 25 percent" and insert "25 percent, 50 percent or 75 percent"

AMENDMENT#2 - FAILED

Page 2, line 26

Insert:

"(e) An election made under (d) of this section for a dividend year is binding and irrevocable for that year."

AMENDMENT #3 - ADOPTED

Page 3, line 29, after "(e)":

Insert:

"If a public agency claims a dividend on behalf of an individual, the agency shall elect 100% cash under AS 43.23.005."

AMENDMENT #4 - ADOPTED

Page 3, line 21

After "me," delete "including" and insert:

"general fund appropriations allocated to my annuity account in accordance with AS.43.23.110(b), and"

AMENDMENT #5 - ADOPTED

Page 7, lines 5-7

Delete all material and insert:

"(b) The Department shall require an individual to take 100% of his or her permanent fund dividend in cash if the Department receives a levy, execution, garnishment, attachment or other legal remedy for the collection of a past due debt described in subsections (a)(1) or (a)(2)."

AMENDMENT #6 - ADOPTED

Page 10, lines 19, 20:

delete "during the life of the annuitant"

Page 10, lines 22, 23, after "account":

delete remainder of sentence, and insert ". An annuity shall be paid in the form of a straight life annuity, or such other payment plan as is authorized by the Commissioner of Administration."

Page 11, line 24, after "possible":

insert "straight life"

AMENDMENT #7 - ADOPTED

Page 1, line 21 after "program":

delete ", and to encourage Alaskans to participate in that program by authorizing general fund supplements that would result in annuity payments that are larger than an individual could earn through private investment of the permanend fund dividend"

AMENDMENT #8 - ADOPTED

Page 8, line 23, after first sentence:

insert "The annuity investment fund consists of amounts transferred from the dividend fund, amounts appropriated by law to the annuity investment fund, and income earned by the annuity investment fund."

Page 9, lines 21-23, after "credit":

delete all material and insert "the net income of the annuity investment fund to the individual annuity accounts."

Page 10, line 8, after "contracts":

insert "purchased from insurance companies that have a Best's Policyholders' rating of A or better and belong to Best's financial size Group XV at the time of purchase"

Department of Revenue
Administrative Services Division
Suggested Amendments
CSSB 56 (SA)
February 28, 1985

Amendment #1

Page 2, line 23 after "receive":

Delete "not less than 25 percent" and insert "25 percent, 50 percent or 75 percent."

Department of Revenue
Administrative Services Division
Suggested Amendments
CSSB 56 (SA)
February 28, 1985

Amendment #2

Page 2, line 26

Insert:

"(e) An election made under (d) of this section for a dividend year is binding and irrevocable for that year."

Department of Revenue
Administrative Services Division
Suggested Amendments
CSSB 56 (SA)
February 28, 1985

Amendment #3

Page 3, line 29, after "(e)":

Insert:

"If a public agency claims a dividend on behalf of an individual, the agency shall elect 100% cash under AS 43.23.005."

Department of Revenue
Administrative Services Division
Suggested Amendments
CSSB 56 (SA)
February 28, 1985

Amendment #4

Page 3, line 21

After "me," delete "in cluding" and insert:

"general fund appropriations allocated to my annuity account in accordance with AS 43.23.110(b), and"

Department of Revenue
Administrative Services Division
Suggested Amendments
CSSB 56 (SA)
February 28, 1985

Amendment #5

Page 7, lines 5-7

Delete all material and insert:

"(b) The Department shall require an individual to take 100% of his or her permanent fund dividend in cash if the Department receives a levy, execution, garnishment, attachment or other legal remedy for the collection of a past due debt described in subsections (a)(1) or (a)(2)."

Amendment #6 - Vogt

Page 10, lines 19, 20:

delete "during the life of the annuitant"

Page 10, lines 22,23, after "account":

delete remainder of sentence, and insert ". An annuity shall be paid in the form of a straight life annuity, or such other payment plan as is authorized by the Commissioner of Administration."

Page 11, line 24, after "possible":

insert "straight life"

Amendment
8

Suggested Amendment

CSSB 56 (SA)

Department of Revenue

Treasury Division

Amendment #1.

Page 8, line 23, after first sentence:

Insert "The annuity investment fund consists of amounts transferred from the dividend fund, amounts appropriated by law to the annuity investment fund, and income earned by the annuity investment fund."

Suggested Amendment

CSSB 56 (SA)

Department of Revenue

Treasury Division

Amendment #2.

Page 9, lines 21-23, after "credit":

Delete all material and insert "the net income of the annuity investment fund to the individual annuity accounts."

Suggested Amendment

CSSB 56 (SA)

Department of Revenue

Treasury Division

Amendment #3.

Page 10, line 8, after "contracts":

Insert "purchased from insurance companies that have a Best's Policyholders' rating of A or better and belong to Best's financial size Group XV at the time of purchase"

CSSB56 (State Affairs)
AMENDMENTS OFFERED/ADOPTED
SENATE JUDICIARY COMMITTEE

AMENDMENT #1 - ADOPTED

Page 2, line 23 after "receive":

Delete "not less than 25 percent" and insert "25 percent, 50 percent or 75 percent"

* Offered by the Department of Revenue, this amendment restricts the amount of the Permanent Fund Dividend that can be taken in an annuity to increments that can be managed most effectively and economically.

AMENDMENT #2 - FAILED

Page 2, line 26

Insert:

"(e) An election made under (d) of this section for a dividend year is binding and irrevocable for that year."

* It is anticipated by the Committee that any change to the Permanent Fund Dividend application procedures will initially cause a certain amount of confusion. This amendment was rejected by the Committee because of its rigid and potentially harsh result in foreclosing a person's remedy for a mistaken election to receive cash or an annuity share.

AMENDMENT #3 - ADOPTED

Page 3, line 29, after "(e)":

Insert:

"If a public agency claims a dividend on behalf of an individual under this section, the public agency shall elect 100% cash under AS 43.23.005."

* The state must take cash for persons when it is acting as a guardian and cannot elect to take an annuity. This amendment seeks to preserve the cash value of the Permanent Fund Dividend to the family of a person temporarily in state custody.

AMENDMENT #4 - ADOPTED

Page 3, line 21

After "me," delete "including" and insert:

"appropriations allocated to my annuity account in accordance with AS.43.23.110(b), and"

* Technical amendment offered to clarify the language and to make it clear that an annuity is forfeited for a false claim the same as cash.

AMENDMENT #5 - ADOPTED

Page 7, lines 5-7

Delete all material and insert:

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

* This amendment is clear on it's face.

AMENDMENT #6 - ADOPTED

Page 10, lines 19, 20:

delete "during the life of the annuitant"

Page 10, line 20:

delete ". The amount of the monthly payment shall be"

Page 10, lines 22, 23, after "account":

delete remainder of sentence, and insert ". An annuity shall be paid in the form of a straight life annuity or other payment plan authorized by the Department of Administration."

Page 11, line 24, after "possible":

insert "straight life"

* The ability to leave the principal and interest earned on an annuity to a person's heirs is considered by private insurance companies to be crucial for marketability. This amendment improves the possibility that the annuity will be better received by Alaskan investors.

AMENDMENT #7 - ADOPTED

Page 1, line 21 after "program":

delete ", and to encourage Alaskans to participate in that program by authorizing general fund supplements that would result in annuity payments that are larger than an individual could earn through private investment of the permanent fund dividend"

* This amendment deletes unsubstantiated guarantees of profitability and the implied requirement of front-loading that is not consistent with the substantive provisions of this bill.

AMENDMENT #8 - ADOPTED

Page 8, line 23, after first sentence:

insert "The annuity investment fund consists of amounts transferred from the dividend fund, amounts appropriated by law to the annuity investment fund, and income earned by the annuity investment fund."

Page 9, lines 21-23, after "credit":

delete all material and insert "the net income of the annuity investment fund to the individual annuity accounts."

Page 10, line 8, after "contracts":

insert "purchased from insurance companies that have a Best's Policyholders' rating of A or better and belong to Best's financial size Group XV at the time of purchase"

* Technical changes that clarify the extent and nature of investment procedures associated with the annuity investment fund.

AMENDMENT #9 - ADOPTED

Page 2, line 17

add: "and may elect to take the dividend as an annuity share for the future benefit of the minor."

Page 2, line 25

after "cash" add: "and may not elect to receive an annuity share."

Page 10, line 26

after "in" add: "(b) and"

Page 10, line 28

after "another." delete "The right to receive an annuity under this section terminates upon the death of the person who is eligible for the annuity and does not pass to that person's estate."

* This amendment makes it clear that, unlike a public agency, (see amendment #3) an individual acting as a guardian may elect to invest a minor's Permanent Fund Dividend in an annuity. It also clarifies that a person 65 or older may not invest their Permanent Fund Dividend in the annuity program. The amendment also makes additional changes that accomplish the purpose of amendment #6 and allow the principal and interest to pass to the annuitant's heirs.

*
* DELIVER TO: JFOM *
* *
* *
* ORIGINAL *
* SENT: 03/06/85 TIME: 11:35 *
* FROM: MICHELE MORSETH *
* SUBJECT: POM-FAIRBANKS 3-6 *
* PRINT DATE: 03/06/85 TIME: 11:35 *
* 2 *

TO: SENATOR RODEY

FROM: OLGA T. STEGER
645 9TH AVE.
FAX 99701

PHONE: 452-2993

RE: SB 56 - LONGEVITY BONUS, PERM. FUND DIV.

MSG: PLEASE SHORTEN UP YOUR HEARINGS SO THAT SB 56 CAN BE
MOVED OUT OF THE JUDICIARY AND BACK ON THE FLOOR. I STRONGLY
SUPPORT THE PASSAGE OF SB 56.

DEPOSIT	RATE OF R	TOTAL CV	TAX-B	NET-COST	Prepared for:
350.00	1.10	385.00	0.70	245.00	STEVE WOODRUFF
350.00	1.10	808.50	0.70	490.00	
350.00	1.10	1274.35	0.70	735.00	Date:
350.00	1.10	1786.79	0.70	980.00	1/26/85
350.00	1.10	2350.46	0.70	1225.00	
350.00	1.10	2970.51	0.70	1470.00	Tax Bracket:
350.00	1.10	3652.56	0.70	1715.00	0.70
350.00	1.10	4402.82	0.70	1960.00	
350.00	1.10	5228.10	0.70	2205.00	Rate of Return
350.00	1.10	6135.91	0.70	2450.00	1.10
350.00	1.10	7134.50	0.70	2695.00	
350.00	1.10	8232.95	0.70	2940.00	
350.00	1.10	9441.24	0.70	3185.00	
350.00	1.10	10770.37	0.70	3430.00	
350.00	1.10	12232.41	0.70	3675.00	
350.00	1.10	13840.65	0.70	3920.00	
350.00	1.10	15609.71	0.70	4165.00	
350.00	1.10	17555.68	0.70	4410.00	
350.00	1.10	19696.25	0.70	4655.00	
350.00	1.10	22050.87	0.70	4900.00	
350.00	1.10	24640.96	0.70	5145.00	
350.00	1.10	27490.06	0.70	5390.00	
350.00	1.10	30624.06	0.70	5635.00	
350.00	1.10	34071.47	0.70	5880.00	
350.00	1.10	37863.62	0.70	6125.00	
350.00	1.10	42034.98	0.70	6370.00	
350.00	1.10	46623.48	0.70	6615.00	
350.00	1.10	51670.83	0.70	6860.00	
350.00	1.10	57222.91	0.70	7105.00	
350.00	1.10	63330.20	0.70	7350.00	
350.00	1.10	70048.22	0.70	7595.00	
350.00	1.10	77438.04	0.70	7840.00	
350.00	1.10	85566.84	0.70	8085.00	
350.00	1.10	94508.53	0.70	8330.00	
350.00	1.10	104344.38	0.70	8575.00	
350.00	1.10	115163.82	0.70	8820.00	
350.00	1.10	127065.20	0.70	9065.00	
350.00	1.10	140156.72	0.70	9310.00	
350.00	1.10	154557.39	0.70	9555.00	
350.00	1.10	170398.13	0.70	9800.00	
350.00	1.10	187822.95	0.70	10045.00	
350.00	1.10	206990.24	0.70	10290.00	
350.00	1.10	228074.27	0.70	10535.00	
350.00	1.10	251266.69	0.70	10780.00	
350.00	1.10	276778.36	0.70	11025.00	
350.00	1.10	304841.20	0.70	11270.00	
350.00	1.10	335710.32	0.70	11515.00	
350.00	1.10	369666.35	0.70	11760.00	
350.00	1.10	407017.99	0.70	12005.00	
350.00	1.10	448104.78	0.70	12250.00	
350.00	1.10	493300.26	0.70	12495.00	
350.00	1.10	543015.29	0.70	12740.00	
350.00	1.10	597701.82	0.70	12985.00	
350.00	1.10	657857.00	0.70	13230.00	
350.00	1.10	724027.70	0.70	13475.00	
350.00	1.10	796815.47	0.70	13720.00	
350.00	1.10	876882.02	0.70	13965.00	
350.00	1.10	964955.22	0.70	14210.00	
350.00	1.10	1061835.74	0.70	14455.00	
350.00	1.10	1168404.31	0.70	14700.00	
350.00	1.10	1285629.74	0.70	14945.00	
350.00	1.10	1414577.72	0.70	15190.00	
350.00	1.10	1556420.49	0.70	15435.00	
350.00	1.10	1712447.54	0.70	15680.00	
350.00	1.10	1884077.29	0.70	15925.00	

Amount after 20 years

would you wish losing that amount at age 66?

by Denise M. Topolnicki

HOW TO PICK THE RIGHT ANNUITY

Finding one with high yields and low fees now will pay off in more retirement income later on.

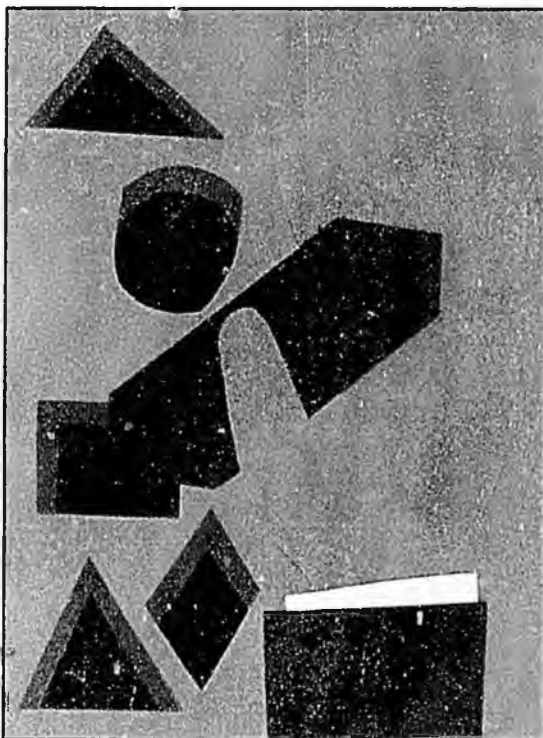
Annuities—those retirement investments sponsored by insurance companies—can play one or two roles in your retirement planning. While you're working, you can stash cash in a so-called deferred annuity and watch it grow unchecked by taxes. After you retire, you can use that money—or other funds—to buy an immediate annuity that pays you monthly income for the rest of your life. Every check you receive comprises principal, which isn't taxable, and earnings, which are. By then, however, you're presumably in a lower tax bracket.

You shouldn't buy either type of annuity solely on the recommendation of any insurance agent or stockbroker. Shopping is essential because returns on deferred and immediate annuities vary enormously from insurer to insurer.

Also, your money is safer with some companies than with others. The financial woes of two major annuity sponsors, Baldwin-United and Charter Co., underscore the importance of doing business with sound insurers. People who bought annuities from bankrupt Baldwin-United will get their principal back, but they won't collect all the earnings they initially expected, and their cash may be tied up until at least 1987. The Charter Co. insurance subsidiaries that sold annuities haven't gone bust along with their parent company, but thousands of investors have cashed in their annuities early—despite withdrawal penalties of up to 7% on account balances—because they feared a Baldwin-United-style fiasco.

One clue to an annuity sponsor's financial stability is its rating published in the life and health edition of *Best's Insurance Reports*, available at large public libraries. Most financial planners recommend dealing only with major insurers rated A+.

Because contributions to an annuity aren't tax-deductible, a deferred annuity shouldn't be the first, or even second, way you shield savings from the tax collector. Instead, you should first make as many tax-deductible contributions to IRAs or



Keogh plans as you can. Also, put pretax dollars in a 401(k) salary-reduction plan if your employer offers one.

Deferred annuities are advertised as IRA investments, but many financial planners advise against using them that way. Says Gail Pendell, a San Diego planner: "You waste one tax-advantaged investment opportunity by doubling up your IRA and an annuity."

You can buy a deferred annuity with a single premium, typically \$5,000 or more, or you can pay in periodic installments. Your money compounds tax-free, typically until you retire. You can then take it in a lump sum and invest it as you wish, or you can buy an immediate annuity and receive periodic payments for the remainder of your life. You may contract for such payments with the insurer who managed your deferred annuity or with a dif-

ferent insurance company that offers a better return on your investment.

Deferred annuities come in two types, fixed or variable. Fixed annuities, which are invested in bonds and mortgages, pay interest, like a bank account. Your principal is guaranteed. Variable annuities produce fluctuating returns based on the performance of stock, bond or money-market funds managed by the insurer. More unusual funds are also available, including some that invest in real estate. Many insurers let you reallocate your cash among several funds. If a fund flops, of course, you can lose principal.

Despite their monicker, fixed annuities guarantee a stable rate of return for only a few months or a year. After that, the rate changes at the insurer's discretion, though it can't fall below a stated minimum, typically 3.5%. Fees can also affect your return. Insurers usually let you withdraw up to 10% of the money in your annuity each year without charge. If you take out more than 10%, the insurer imposes so-called surrender fees that usually start at 7% of your excess withdrawal during the contract's first year and decline until they disappear in

seven to 12 years. Some insurers offer a bailout clause under which you can get all your money at no charge if interest rates dip a point or two below what you were originally promised. If you buy an annuity after Jan. 18, 1985, and make withdrawals before you reach age 59½, you'll pay a 5% federal tax penalty, as well as income tax, on earnings withdrawn.

Ideally, you ought to be able to compare the historical investment performance of annuities. That's what the National Educational Association did in its 1982 study of fixed annuities sold to teachers by 45 companies. The findings were startling. After fees were deducted, \$14,100 invested over nearly 12 years grew to \$23,560 at the best performing company—an average annual return of 8%. The worst company produced only \$14,484—a dismal average annual return of less than one-half of 1%.

Insurers don't compile such data for individuals, however. Comparative Annuity Reports, an Albuquerque-based firm, compiles data on annuities sponsored by 200 insurers and sells it to insurance companies and school districts. (For lists of recommended fixed annuities based on the firm's computations, see the box at right.) Since annuity contract provisions and interest rates change frequently, you should ask agents where companies they represent rank in the most current report by Comparative Annuity Reports; be sure that the agents quote from the lists that take fees into account.

It's easier to identify the top variable annuities because Lipper Analytical Services, an investment advisory firm, monitors many of them, as it does with mutual funds. As a group, variable annuities invested in stock have gained 77% in the past five years vs. 51% for Standard & Poor's 500-stock index, with dividends reinvested. Two annuities available outside of IRAs and sold by insurers rated A+ by Best's outperformed the pack. National Life's Variable Annuity Account I gained 107% while Aetna Life's Variable Fund increased 98.92%.

Because most insurers have just recently started to offer variable annuities invested in bond and money-market funds, Lipper has followed only a few such funds for more than a year. The variable annuity bond fund sold by Sun Life

of Canada topped Lipper's charts over the past year, as did the money-market annuity from Security Benefit.

Lipper's figures take investment management charges into account, but not sales commissions, which range from zero to 8½%. Insurers typically trim 1.5% off of a variable-annuity account's balance annually for administrative expenses. Ask insurance agents where companies they represent currently rank on Lipper's lists.

When you're considering buying an immediate annuity, bear in mind that the guaranteed lifetime income is most appropriate for people who fret about outliving their savings—or squandering them all in Las Vegas. Be warned too that immediate annuities aren't for fickle folk: once you sign a contract for lifetime income, you're locked in.

You can use cash you've accumulated in a deferred annuity to fund an immediate annuity. It's also possible to buy an immediate annuity with a lump sum from, say, a pension or profit-sharing plan. Immediate annuities are available in fixed and variable varieties.

There are four basic ways to receive an immediate annuity. Monthly payments

get increasingly smaller with each succeeding option:

A *straight-life annuity* pays you until you die. If you're unlucky enough to expire after cashing just one check, the insurance company keeps the remainder of your capital.

An *installment-refund annuity* pays you and a beneficiary at least as much money as you invested.

A *period-certain life annuity* guarantees that you or a beneficiary will collect for at least a set number of years.

A *joint-and-survivor annuity* continues until both you and a beneficiary are dead.

Under any option, the size of your monthly check depends on how much you invested, how old you are, and whether you're male or female. It also varies from insurer to insurer. For example, a 65-year-old man could recently buy a straight-life annuity for \$25,000 from Alexander Hamilton Life and receive monthly payments of \$297.19. Yet Federal Kemper Life would pay him only \$265 a month. Once again, you'll have to shop around. Wait until you're close to retirement, however, because rates change constantly. **S**

SHOPPING FOR ANNUITIES

All the top-performing annuities listed here are of the deferred type: your investment in them grows tax-free until you make withdrawals. Immediate annuities, which begin paying income at once, are not listed because ever-changing payout rates fluctuate widely. Comparative Annuity Reports, a company that sells information on annuities to insurance companies and school systems, provided the two lists of fixed annuities. In both cases, *Money* has omitted annuities designed only for IRAs as well as annuities of insurers rated less than A+ by Best's, a

firm that grades companies based on their financial stability.

The list of fixed-rate annuities with flexible premiums is based on projected returns over the next 15 years as well as the annuities' actual performance over the past five years. Insurers' fees are included.

Comparative Annuity Reports expects the fixed-rate, single-premium annuities on the second list to post the highest returns in their category over the next 15 years, based on interest rates and fee schedules in effect last August.

Top-performing fixed annuities (flexible premiums)

Company	Current interest rate
Fidelity Union Life	10%
Northern Life	12.50
Security Benefit Life	12.25
Travelers	11.75
Western National Life	12

Top-performing fixed annuities (single premium)

Company	Current interest rate
Alexander Hamilton Life	12%
Bank Life	12.1
Minnesota Mutual Life	12.25
New York Life & Annuity	12
Travelers	11.75
Western National Life	12

Reporter associate: Eric Schurenberg

50 Plus' Money Plan For Your Retirement

*An up-to-date look at
the sources of retirement
income and how you
can best use them.*

Reprinted and updated from a special series in 50 Plus Magazine

50 plus
GUIDES

The Need for a Money Plan

RETIREMENT means different things to different people. For some, it opens the door to years of well-earned leisure — for travel, golf, fishing, crafts and hobbies, or just plain loafing. For others, it means finally having a chance to engage in new activities or hobbies, even money-making activities one could not consider during full-employment years — coin, stamp and rare book collecting, antique seeking, dealing, etc. — activities one couldn't afford and didn't have time for while raising a family and working full time (and a half!).

But whatever retirement means to you, it requires MONEY — stable, dependable

income from pension, Social Security, or dividend and interest income from securities accumulated during one's employment years. How much money, how much regular income? — As much as you can get! — Never put an upper limit on your retirement income from accumulated capital, managed during your retirement years so as to provide the kind of life you've looked forward to. Essential to both accumulation and management is *planning*. Money is one thing that doesn't take care of itself (for most of us, anyway). Seat-of-the-pants budgeting (or lack of budgeting) is one sure way to end up singing the "Retirement Blues" instead of "We're in the Money."

Maintaining Your Independence

DURING THE FIRST three quarters of this century, the spread of pension systems—corporate, private, and governmental—has helped make retirement financially feasible for millions of Americans whose parents and grandparents had no plans other than to work until the day they died.

When considered against the background of centuries of lifetime toil, retirement is a revolutionary, new concept for the average man and woman. For the first time in history, the great majority of working men and women can look ahead to a retirement "cushion"—in the form of Social Security and other pension benefits—supplementing their employer's pension payments or income from their own savings over the years. The age-old tradition that "our chil-

dren will have to pitch in and help" is no longer the prime consideration as we get older. With the spread of pensions on all levels, the new philosophy is that a person has the right to retire with full independence, beholden to no one for support.

As a result, planning for retirement has now taken priority over most other financial "programming" once the children's education, liquidation of a home mortgage, and other needs have been taken care of. In some cases, retirement planning is the lengthiest financial plan in one's lifetime—starting with the very first day of employment and the chance to sign up for the employer's retirement plan. You can never begin planning too early!

Storing Up Retirement Income

PUTTING ASIDE funds to finance one's retirement—whether you start 5 years or 40 years before Retirement Day—is no snap. It can mean denying yourself certain luxuries you'd like and perhaps even a few necessities today for the sake of future benefits. It requires giving hostages to the future—something that's not only disagreeable at times but risky as well.

But, unless you happen to be endowed with a long list of rich uncles, there is no substitute for the discipline involved in giving up something you fancy today for the sake of a more comfortable retirement later.

The mechanism for this is the dollar—its saving, its investment, or its accumulation through various "media" (stocks, bonds, real estate, rare works of art, old coins and books, antique furniture), anything you can buy with dollars today and which (you hope) will have increased in dollar-value when you retire.

It's a mistake to think of retirement planning as just an accumulation of dollars. It is, rather, the building of a pool of *buying power* that is the ultimate goal—the more buying power the better.

There are, of course, significant differences in the various "media" one may select for building up assets which can then be translated into buying power during retirement.

Some of them are sound, and some just the opposite. Consider, for example:

You've always regretted not having bought gold during the period of high inflation of the late 1970's, when its price skyrocketed. Today you still wonder if it might not be a bad investment. Like most people, you're not quite sure that inflation won't come back to haunt us and you'd like to have something to hold against that possibility. But is it the right investment to make? You've heard a few predictions that have given you cause to wonder. What should you do?

The high price of gold in recent years made it an enviable commodity to hold during that period. But gold—like other commodities—has a weakness as a hedge against inflation. Gold is always a speculative commodity whose recent price movements had absolutely nothing to do with the factors that caused the cost of living to double during the 1970's. And what's more, gold requires considerable capital for its safekeeping, so that you may actually find yourself losing money in the long run.

Nowadays most experts believe that we have licked the problem of double-digit inflation that plagued our economy during the 1970's. As you enter your retirement years, your main concern should be having something to count on. There are many

safe investments that can yield you a return of 10 to 12 percent a year. Take advantage of these and build your assets—

don't dwell on the possibility of what might happen and lose money in the process.

Real Estate

INVESTMENTS IN real estate, on the other hand, can not only be extremely profitable but, if well managed, can provide rental income at the same time the property is steadily increasing in market value. But there are "catches" with real estate too—such as the taxes you must pay on it, upkeep costs, plus the considerable expertise that's required in selecting and buying the right property, and in subsequently managing it. In fact, such expertise can mark the difference between realty profit and loss.

In most cases, you don't need a great deal of ready cash to invest in real estate. You can pay in installments—through a mortgage from a bank or a savings and loan association. As with buying property, it's wise to shop around for a mortgage banker or broker to get the best possible terms.

The astronomic interest rate climb of the late 1970's and early 1980's has changed the picture for today's real estate investor. As interest rates have dropped from their

14 to 18% peaks, making real estate a more attractive investment, most banks have changed their policy of offering fixed interest rates on mortgages—in other words, rates that don't change over the twenty or thirty years of the loan. Rather than lend money at 12 to 13% for thirty years, they now offer mortgages with flexible interest rates that change on a year-by-year basis. Almost all banks are now doing this, so the average home buyer is forced to accept these rates.

But don't rule out real estate because of flexible mortgage interest rates. They can actually work to your advantage. True, you will have to pay a higher interest rate in years that rates go up. But the reverse is also true. If interest rates drop—as they well may continue to do in the years ahead—you will pay interest on your mortgage at a lower rate. So real estate can be a very solid investment—but one that demands flexibility.

Savings Accounts and Certificates of Deposit

STASHING AWAY money in a savings and loan or bank account is the oldest and probably the most commonly used method to build up a source of retirement income. Too many people, however, are unaware of what is now available to them and have missed some terrific new opportunities in savings accounts.

Between August 1, 1981, and August 1, 1985, all ceilings on interest rates paid on savings account deposits will be eliminated. As a result of this deregulation, the interest on ordinary savings accounts has already begun to rise, and by 1985 many people believe that the 5-1/4 to 5-1/2% interest we've been used to seeing will double.

Since the deregulation began, banks have begun to offer special savings accounts called money market accounts that pay very high interest rates. To qualify for the high interest, you must meet one requirement: a minimum of \$2,500 on deposit. But it's well worth whatever it takes to keep that much on deposit—most money market accounts now pay about 9.8% a year in interest, a far cry of the interest rates of yore.

The best interest available to the savings depositor is still through certificates of deposit (known as CD's). But many people, especially people approaching retirement, shy away from CD's for fear of being locked in and having their money inaccessible to them for long periods. Of course, it sometimes is wisest not to invest in a long-term account. But what keeps most people from investing is lack of knowledge of what's out there—and there are many types of CD's, so it gets pretty confusing. But with some knowledge and a little common sense you can feel safe to

take advantage of these excellent investment opportunities.

Certificates of deposit vary from short-term, such as the 91-day CD's that are now popular, to long-term accounts, such as one, three, four, and five-year varieties. During the term of the account you cannot withdraw on the principal without incurring a penalty. But what many people fail to understand is that the penalty is not all that serious. What happens if you draw on your balance early is that the interest on the amount withdrawn is cut back to the daily rate—which is what you would have been earning on a regular savings account anyway. So you're not losing anything there. In addition, you lose 90 days' interest. You should not be discouraged from the long-term CD for fear of having to withdraw early in case of an emergency. The penalty in many cases is less than what you'd be losing if you kept the money in a regular savings account.

Like the ceilings on savings account interest rates, the interest rates on CD's have been deregulated, so banks are now "competing" for the highest-yielding accounts. Long-term CD's are now paying about 13-1/2% interest, with the short-term accounts around 12 to 13%. The main advantage to the long-term accounts, of course, is the interest rate; you must start with at least \$2,500 minimum deposit. But no investment in CD's, especially for the retiree, should be decided on the basis of interest rates alone. The interest rates on short-term accounts is not much less than the long-term CD's, so it makes sense to use both in combination when you invest. It's wise to divide your money into two

segments—one to be invested at a higher rate, and held untouched for a longer period, and the other to be kept in a short-term account to which you'd have easier access in case of an emergency, such as

hospital or doctor bills. You'll be earning a point or two less in interest, but you'll be able to get to the money fast—and without paying the penalty.

OUR NATION'S securities markets may be compared to giant department stores—offering pretty much whatever customers want. To the pre-retired man attempting to build an estate to support himself and his wife in retirement (and hopefully also to benefit his heirs), they offer growth-type securities and tax shelters. To the retired, they offer various types of securities aimed at providing income plus safety.

Safety is of paramount importance. Normal retirement investing has very, very little room for risk. High retirement income with high risk and attendant worries yields no retirement income that's worth it. Of what profit is a high return on your money if you are too worried to enjoy it? An old Wall Street adage puts it best: "Do you want to eat better or sleep better?" Those who have experienced years of retirement will tell you that, as between steak (or lobster) at every dinner and a good night's sleep, there's little room for argument: worry-free sleep wins almost every time.

This certainly does *not* mean that one can achieve 100% safety or capital from securities (even U.S. Treasury bonds or insured savings accounts). *Every* investment involves risk—whether it is a capital-growth type, an income type, or something in-between. *Every* negotiable security is subject to market fluctuations. And even if your money is in dollar-fixed savings accounts or U.S. bonds, you must still face the dangers of erosion via inflation.

The "safest" securities are U.S. Treasury bonds, followed by bonds issued by federal agencies backed by the full faith and credit of the U.S., those approved by the Treasury, or issued under an act of Congress, or supported by authority to borrow from the Treasury (a broker can explain the various levels of endorsement to you). These, in turn, are followed by corporation bonds rated (for quality) all the way from AAA (tops), to AA, A, BBB, BB, B, CCC, CC, C, DDD, DD, D.

Then there are the many issues of preferred stocks, followed by common stocks.

This does *not* mean that every bond is better than every preferred stock; or that every preferred is better, safer, or more desirable than every share of common. These are merely the different types of corporate securities available. Each one must be judged on the basis of what it can do for *you* in retirement, and also on just what it is *you* need in retirement.

Good quality bonds and insured savings accounts enjoy high safety of principal. If

you put \$5,000 or \$10,000 into an insured savings account, into a Treasury or federal agency bond, or into a corporation bond rated AAA or AA, you can feel pretty secure that you will get your interest when it is due, and that you will get all your dollars back when you withdraw your deposit or when the bond matures. If you are investing for income, then you can be comfortably certain that \$10,000 invested in a high quality bond will provide the promised interest every 6 months and repay the face amount of the bond at maturity.

And so far as drawing on insured savings accounts is concerned: the figures in the second of the following tables can be checked for accuracy at any bank's saving department. But, unfortunately, its accuracy does not make it a logical program for a retirement planner because there are too many pitfalls in the program. 1) No one can tell you how much interest money will earn over the next 15 to 20 years. 2) No one can assure you that any given annual withdrawal amount will provide more than a starvation diet in the decades ahead. 3) No one can predict that your lifeline will follow actuarial tables. 4) Finally, how are you going to enjoy retirement as you watch your assets dwindling?

A rule of thumb for securities is never adopt any program which could leave you penniless at a time when you could possibly still be breathing, no matter what the actuarial tables predict.

Plan for retirement without the poorhouse as the ultimate goal. Retirement needn't include a yacht tied up at your private pier, but it shouldn't be lived with the spectre of the welfare line-up forever at one's side.

A comfortably financed retirement program should not be approached as merely a childhood game of "put and take"—put so much into a bank while you are working and then taking out so much a year until you are flat broke. It requires setting up a realistic pension plan while you are working plus accumulated capital which you manage to the best of your ability in order to get the most income out of the current investment market. This DOES NOT mean that you should become a stock market ticker tape addict but that you keep yourself informed about job opportunities for your money and that you put your money to work bringing in the best "pay" you can find, with the amount of risk you can afford.

Securities: Safety vs. Risk

How Savings Accounts Can Build Over a 20-Year Span

YOUR WORKING YEARS			YOUR RETIREMENT YEARS		
Starting at age 45 you save each month:	Total amount you deposit by age 65:	Total in your account including dividends at age 65:	Then, if you elect monthly payments of:	You will receive payments for:	You will receive a total of:
\$ 20	\$ 4,800	\$ 8,828	\$ 92	10 years	\$ 11,112
40	9,600	17,656	184	10 years	22,225
50	12,000	22,071	173	15 years	31,270
75	18,000	33,107	260	15 years	46,858
100	24,000	44,143	291	20 years	69,949
125	30,000	55,179	364	20 years	87,390
200	48,000	88,286	582	20 years	139,899
416	99,840	183,634	1,211	20 years	290,909

The figures are based on a 5.50% effective annual yield where interest is compounded daily and paid from day of deposit if money is left until the end of the quarter.

How Long Will Your Savings Last in Retirement?

WITHDRAWAL RATE	ANNUAL INTEREST OR GROWTH RATE OF INTEREST									
	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%
5%										
6%	36									
7%	25	33								
8%	20	23	30							
9%	16	18	22	28						
10%	14	15	17	20	26					
11%	12	13	14	16	19	25				
12%	11	11	12	14	15	18	23			
13%	9	10	11	12	13	15	17	21		
14%	9	9	10	11	11	13	14	17	21	
15%	8	8	9	9	10	11	12	14	16	20

Example: A savings account earning 6% would last 15 years if 10% of the account were withdrawn every year. Money invested at 8% would last 14 years if 12% of the capital is withdrawn every year.

Fortunately for today's retirees there are several sources of steady, high income. Insured banks' and savings and loans' certificate of deposits yield as much as 11, 12, 13% and even a fraction more. And long term U.S. Treasury bonds—the world's safest investment—now yield better than

13% compared with a meager 3.2 or even 1-7/8% they paid earlier in this century. You need more dollars to retire today than ever before in U.S. history, but fortunately, invested money also is bringing in more dollars than ever before.

EE Bonds and HH Bonds

EVEN MORE helpful than a savings account is the use of new EE bonds to help build a retirement nest egg, a source of retirement income. The basic advantage of the EE bond "building blocks" is the fact that all the money you invest is at work building that nest egg—there is no subtraction of money from the account to pay annual income taxes on the interest being stored up. Every dollar you invest in EE bonds, say on a payroll deduction plan, keeps working for you undisturbed by current federal or state and local income taxes. You are free to postpone the day of tax reckoning until retirement when your tax bracket declines.

In other words, you invest when you are most likely enjoying the peak earnings of your career, but delay all tax until you are most likely in the lowest tax bracket of your lifetime.

Like a savings account, buying U.S. Government EE bonds provides a program for accumulating dollars on a systematic basis.

Since November 1982, Series EE bonds have been paying interest at a variable rate that moves according to the rates paid on U.S. Treasury bills, which are auctioned off every two weeks. A minimum rate of 7.5% is paid on EE bonds, compounded semi-annually, if held for at least five years, and the current rate is above that. Series EE bonds can be purchased in denominations of \$50 up to \$1,000 at your bank or through a payroll deduction plan.

Unlike the interest you get on a savings account (which is taxable each year), the interest on EE bonds is exempt from state and local taxes—but *not* from federal tax. However, you don't receive the interest

until you cash the bonds (which is when you pay the federal tax).

EE bonds accumulated during your working years can provide a safe, secure means of building retirement capital. Or you can produce current income from your EE bonds by exchanging them for Series HH bonds which will bring you a semi-annual interest check at the annual rate of 7.5%. You do not pay income taxes on the accumulated interest of the EE bonds which were exchanged for the HH bonds until

you redeem the HH bonds. You thus keep all your principal intact and guarantee yourself a steady income from the total accumulations, which income is subject only to federal income tax, not state or local.

In such bond programs, the investor, building toward retirement, gives up any hope of "doubling his money overnight" in return for a slow, steady accumulation of dollars immune from the risks of the securities or real estate markets.

CORPORATE BONDS are a form of mortgage issue to raise money in the same way a home buyer issues a mortgage to raise part of the purchase price of a home. The bond runs for a set number of years—5, 10, 15, 25, 30—during which time the corporation promises to pay the stated rate of interest in semi-annual installments. The corporation may, in most cases, pay off the bondholder before maturity, but in all cases, must pay at least face value (usually \$1,000) and often a premium if retired before maturity. Interest received from a corporate bond is taxable, although interest paid by U.S. Treasury bonds is exempt from state and local income taxes.

Interest rates in recent years have been at historically high levels, which means bonds are yielding generous returns for investors seeking current income.

Bonds can be bought through brokerage firms and securities dealers and, in some cases, through a commercial bank. New issues are being announced constantly. Your best sources of information and guidance are a reputable broker or banker and newspaper financial pages.

Keep in mind that the investment rating of bonds is more important to you than the name of the issuing corporation and that you cannot expect as high income from a top-quality AAA or AA grade as from a lower quality issue.

Bonds are negotiable, and you may sell them at any time regardless of maturity date at prices affected mainly by changes in interest rates.

Corporate Bonds

IF YOU PAY as high as 30 to 35% federal income tax on part of your income, you should consider tax-exempt bonds issued by states, cities, towns or their political subdivisions, or by public authorities which thus raise money for schools, water supplies, highways, tunnels, bridges, etc. These are called "municipal bonds." If you pay only a modest income tax, it may not be advisable to accept the lower income from these tax-exempt bonds.

In most cases, it is best to buy bonds issued in the state where you live, thus availing yourself, in most cases, of exemption from state and city income taxes if any, in addition to the federal income tax savings. Municipal bonds are issued mainly in bearer form.

As in the case of all bonds, tax-exempt bonds vary in quality, depending upon the financial strength of the issuer. When in doubt, one should restrict investment to bonds backed by the full faith and

credit and taxing power of a strong state or local government, rather than buy bonds depending on revenues raised through fees charged for use of a specific bridge or tunnel. The former are called "general obligation" bonds while the latter are called "revenue" bonds.

Recent years have seen the emergence of two new methods of investing in municipal bonds: the unit trust and, most recently, the mutual fund for municipal bonds. The unit trust represents a fixed portfolio of bonds which is not changed. As bonds mature, you, the investor, receive your pro-rata share of the funds received by the trust. The municipal bond mutual fund represents a managed fund in exactly the same way that common stock mutual funds are managed, with different issues being bought and sold. There is no basis for saying one is better than the other. You should restrict your investing to reputable firms—and spend some time learning the difference in types.

Bonds with Tax Shelters

ANOTHER WAY to build up income for your retirement years: buying stocks—if you are willing to take the risks involved. As no one needs to be told, you can make a handsome profit on the right stocks, and lose your shirt on the wrong ones. Most investors, in practice, fall somewhere in between. Entire books have been written about stock-market investing, but let's just review brief-

ly some of the key facts to keep in mind about stocks for retirement planning.

First of all, folks who have worked hard all their lives to amass a retirement stake are entitled on a regular basis to a dependable, generous dividend check from their stock investments—and should not be reduced to nail-biting decisions based on stock

Common and Preferred Stocks

market fluctuations. So I think it's important that, if you buy stocks, you evaluate them carefully in terms of whether they are *growth* or *income* issues—and how far you are from retirement.

You'll find a long-established school of investment theory which argues that even retired folks should hold growth stocks (regardless of low yields) and depend upon other sources of income for their super-market money. This doesn't make for comfortable sleeping during prolonged periods of stock market decline—unless you're still a long way from retirement and have enormous confidence in the stock's growth potential by the time you'll be retired. But with most growth stocks, yields run from below 1% to about 3%—and you can't buy much these days with such income.

Some investors are misled by the word *preferred* stock, in contrast to *common* stock. A preferred stock is so named because it enjoys a preferred position in a corporation's stock capitalization—preferred to the common, that is, but subordinated to the company's bonds and debentures. This means the preferred claim to dividends comes ahead of the common's. If the company can't pay a preferred dividend, no common dividend is paid. But the label "preferred" or "preference" has only relative value. One company's preferred is not always a safer investment than the common stock of another company. So don't let the word lull you into a feeling of security. Each preferred must be judged on its own merits.

Much more common (no pun intended) is common stock. Shares may be acquired

in a number of ways—and with even the most modest budgets. Many workers looking ahead to retirement have acquired shares of their own corporate employer—especially if a favorable purchase plan is available under which the company contributes to the investment or offers it to employees on a preferential basis.

Another method: purchasing shares of other leading corporations which over the years have shown an ability to operate profitably through boom and depression. First purchases of such stocks can be made through various brokerage offices. But many companies then facilitate the acquiring of additional shares through program⁷ for the reinvestment of dividends—and additional cash—sometimes without the payment of additional brokerage fees.

Investment in common shares of stock in a corporation offers the unique advantage of acquiring a say in corporate management along with the asset itself. You may know nothing about flying an airplane, or producing automobiles, or chemicals, but the purchase of shares in any of these industries carries with it some of the management of the companies. As a stockholder you become, in essence, a "silent partner" insofar as you have the right to vote for directors at annual meetings and the right to question the operations and policies of the company. It is not a completely democratic set-up, but then it doesn't require that you devote much of your time and effort to the "management" of your share of the total assets of the company.

Mutual Funds

IF YOU BUY stocks or bonds on your own, you're relying, of course, on your own judgment (and/or your broker's). Instead of putting all your eggs in one basket, you may prefer to spread your risk by investing in many different kinds of stocks and bonds for the same amount of money—doing so through a mutual fund. This reinvests your money (and the funds of other investors) in the shares of hundreds of different corporations, all done through a professional money manager whose annual fee usually runs around 1/2 of 1% of your total investment. Some mutual funds invest almost exclusively in growth stocks, and are frankly speculative. Some others invest in preferred stock and high-rated corporate bonds, to provide maximum income with maximum security. Other funds try to balance the types of investments. On the average, mutual funds are now paying dividends of about 10%. Most analysts rate the reliability of income from mutual funds as good to fair.

Mutual funds traditionally are sold by security salesmen who are paid out of a sales fee which runs to 9% or slightly

higher. However, there are an increasing number of mutual funds that do not charge a sales fee. These are referred to as no-load funds. The investor who wants a no-load fund must approach the fund himself. There are no salesmen.

To make an intelligent choice among the many no-loads the investor must study their records in the financial manuals. A listing of no-loads is available from the No-Load Mutual Fund Association at Valley Forge, PA 19481. You can always tell a no-load fund in the newspaper's listing of funds by the fact that a no-load fund "bid" and "ask" quotes are alike.

In a Load Fund the difference between the "bid" and "ask" figure for most funds represents the commission for buying one share.

Never make a decision between the two funds on the basis only of "Load" and "No-Load" which has no bearing on the fund's success.

An investor pays a management fee in all funds, load and no-load.

Making It a Habit

WHATEVER COURSE you choose to store up retirement income, the important factor is

to develop a "habit"—the continuing investment or steady application of a portion of

your current income in an investment program which will ripen in 10, 20, or 30 years, to provide you with years of retirement income. This "habit" is fully as important in acquiring a portfolio of stocks and bonds as it is in making regular additions to your savings account.

Since there is no stock market barometer that has proven 100% accurate in all kinds of economic weather, the only "safe" solution is to set up a regular, periodic investment program. This is called "dollar-cost averaging" and, if continued over a long period of time, can result in the investor being able to acquire more shares when prices are low and fewer shares when prices are high. The result: an average

long-term cost that's usually far more favorable than the straight mathematical average of prices over the same period of time. Furthermore, it takes much of the nail-biting worry out of investing in stocks.

But it must be kept firmly in mind that, in this pursuit of capital gains with which to increase your retirement stake, the laws of risk are always in force! Risk is ever-present in every form of investment. And the amount of risk rises with the expectation of profit. You can't hope to double your money overnight unless you also are prepared to risk a heavy loss. Wall Street may be a one-way street for automobiles—but not for securities prices!

Annuities

AN ANNUITY is primarily a contract, not an "investment." It is a contract by which you buy an income for as long as you live (and, in the case of a "joint" annuity, for as long as both you and your spouse live). For many people it is a comforting contract, because it assures you that you will not outlive your income. But, as is the case with every financial contract, it has its plusses and minuses.

great many years, or they may be bought with a single, lump-sum payment on the eve of retirement.

If you buy them over a long period of years, you may find that you have tied your retirement income 10, 20, or 30 years before retirement—and done so unrealistically in terms of the buying power of the dollar when you actually retire.

An annuity income program purchased with a single lump sum of money on the eve of retirement at least reduces your vulnerability to inflation by many years. If you should buy such a program today, to begin providing income next month, you have a more current view of what the dollar of income will buy. You have not only escaped 10 or 20 years of seeing your premium money melt away, but you are able to buy the entire contract with "now" (cheaper) dollars. Although no fixed annuity income can protect you against further inflation, a lump-sum purchase on the eve of retirement can at least reduce much of the effect of past years of inflation.

The table on page 10, furnished by the American Council of Life Insurance, shows how much it will cost you currently to buy \$100 a month of annuity income. You will notice that the cost is based on present age (the lower one's life expectancy, the more generous the insurance company can afford to be). Also, women—because, statistically they live longer—must pay more than men for the same \$100-a-month income. And a married couple must pay even a bit more (the conjugal life is evidently conducive to living longer, at least statistically).

The "life annuity" column shows one type of annuity and the sums which must be paid to receive \$100 a month "for life"—for the life of a man, a woman, or "joint." (If you die a few years after taking out the annuity, the insurance company "wins.") The "refund annuity" column shows the amount you must pay to receive \$100 a month income for life with the additional proviso that if the annuitants do not live long enough to collect all that they've paid in, their estate will get the balance.

Single Premium Annuity To Get \$100 a Month		
BOUGHT AT AGE	"LIFE ANNUITY"	"REFUND ANNUITY"
Males		
60	\$12,037	\$12,666
65	11,130	11,892
70	10,031	11,008
75	8,816	10,039
80	7,551	9,015
Females		
60	\$12,956	\$13,161
65	12,142	12,514
70	11,071	11,581
75	9,807	10,516
80	8,466	9,376
Joint and Survivor		
60	\$14,548	\$14,314
65	13,764	13,647
70	12,799	12,741
75	11,595	11,673
80	10,155	10,470

The plusses: (1) lifetime income; (2) knowing exactly how much to count on each year; (3) assured income (provided, of course, that you make the contract with a reputable insurance company licensed to do business in your state, or with an educational, charitable, or religious institution licensed and supervised by your state's Superintendent of Life Insurance).

The minuses: (1) the fixed-income type of annuity offers no protection against inflation; (2) any variable-income program must depend upon the manager's skill as an investor in the securities markets; (3) erosion of your capital to the point where there may be no estate left for your heirs.

Annuities may be bought along with insurance through premiums paid over a

How a Level Savings Withdrawal Plan Works

Beginning balance	If you elect monthly payments of:	Your balance would last	Total you would receive:	Or you may choose monthly payments for the rest of your life	AND leave this amount for your beneficiary at the end of each year:
\$ 1,000	\$ 25	3 yrs. 8 mos.	\$ 1,103	—	—
2,000	25 50	8 yrs. 3 mos. 3 yrs. 8 mos.	2,476 2,206	—	—
3,000	25 50	14 yrs. 3 mos. 5 yrs. 9 mos.	4,296 3,496	—	—
5,000	50 100	11 yrs. 0 mos. 4 yrs. 8 mos.	6,626 5,666	\$ 22.22	\$ 5,000
10,000	75 100	16 yrs. 10 mos. 11 yrs. 0 mos.	15,185 13,253	44.44	10,000
15,000	100 200	20 yrs. 7 mos. 7 yrs. 7 mos.	24,773 18,284	66.66	15,000
30,000	200 500	20 yrs. 7 mos. 5 yrs. 9 mos.	49,545 34,964	133.33	30,000
40,000	300 500	16 yrs. 10 mos. 8 yrs. 3 mos.	60,743 49,534	177.78	40,000
50,000	400 500	15 yrs. 2 mos. 11 yrs. 0 mos.	73,141 66,267	222.23	50,000
100,000	800 1,000	15 yrs. 2 mos. 11 yrs. 0 mos.	146,283 132,535	444.46	100,000

Source: The Bowery Savings Bank

After "R-Day"

RETIREMENT DAY is the day you turn to your money and say, "OK, I've worked for you all my life—now let's see what you are going to do for me!"

Everyone is entitled to enjoy his or her retirement years to the fullest—and that requires, in the simplest terms, getting the most current income out of accumulated funds. This income, furthermore, must be measured not only in dollars but also in the peace of mind which comes from the knowledge that both the principal and the income it generates are safe.

There's an old Wall St. adage which asks: "Do you want to eat better or sleep better?" There's a great deal more substance to this than its glibness would indicate.

Stretching income from investments so as to cover the costs of big cars, lavish homes, and eating out in fancy restaurants is a possibility *if* you're prepared to accept the risks which always accompany very high-yielding securities—and the resulting loss of sleep. On the other hand, the vast majority of retirees, already having experienced the decades of worries and sleeplessness that go with their work-years and raising a family, prefer to "eat less steak" and sleep better. It's a decision only you can make for yourself—on your own.

To help you decide, let's look at the usual sources of retirement income and how they are likely to affect you in different but generally basic circumstances.

Financing Your Retirement

CAN YOUR INVESTMENTS handle their New Job? Come Retirement Day, you leave the office luncheon with your colleague's praises ringing in your ears, with a gold watch in your vest pocket or on your wrist and with the general euphoria which follows a good lunch. But with the chilling realization that you've received your last paycheck. After 30, 40 or more years of working for "the company," you are now pretty much on your own, with a fixed pension and Social Security checks every month, but with no boss to appeal to for a raise in salary with which to meet steadily rising prices for food, clothing, shelter. If the cost of living goes up you'll either have to face up to it yourself, or do without!

So your own portfolio of investments becomes pretty important. As you begin to

mentally review your list of stocks and bonds, apply the acid test—Is this item doing the best it can for me . . . either in amount of regular, steady dollar income, or in its ability to increase dividends with which to meet higher expenses? Thus, the problem is really two-fold:

1. Can a rejuvelling of securities bring more income now? or
2. Can I shift types of securities so as to have more of my money at work in higher-yielding securities over the next 10 to 20 years of my life expectancy?

Example: Those 9½% utility bonds are highly rated, but that's all they can pay—\$95 a year for each \$1,000 face value bond. Would it be best for me to shift some of this money to a sound utility or manufacturing

company stock which could possibly increase its dividend to 12 or 15% of the market value? Should I give up a steady, regular source of income for a higher yield? With inflation much lower than in previous years, it's safer now to take more risks. Income is no comfort if costs rise steadily because of unchecked inflation. And if you want to play it safe, don't rely too much on any hope that our government can or will really check inflation.

A comfortable retirement income source must include not only solid interest payers (bonds) but some hope of increased income—that means ownership of common shares—an equity position or convertible

preferreds or debentures convertible into common. In other words, while it is comfortable to provide one's self with a solid, unwavering income from high grade bonds and preferreds, you'll have to take a bit more risk if you want to hope for extra income. No one has yet discovered how to take the risk factor out of economics, either nationally or personally.

So the best thing to do is to sit down with your broker and try to arrive at a cautious division of your funds between high yield, low risk bonds, some commons (or senior issues convertible into common) which could increase your income with as much risk as you can comfortable assume.

IT IS ALWAYS disheartening—and surprising—how many workers reach retirement age without understanding completely the terms of their company's pension plan—and the various options which may be open to them.

Basically, pensions are paid out in either of two types of programs:

(1) A lump-sum payment which you yourself then re-invest in income-producing stocks, bonds, real estate, etc.;

(2) A monthly benefit check for the rest of your life or that of your surviving spouse, with a residual payment to your heirs in some cases.

Certain companies may offer other options. Be sure you ask your company's pension officer about them.

The questions you must answer for yourself before making a choice between a lump-sum withdrawal of your company pension or a monthly check (if you have the option) can be answered only by (1) arithmetic, and (2) whether or not you want to leave money for your heirs.

The arithmetic involves figuring out the difference between the lump-sum (and what

you estimate it can produce from investments) and the monthly check you would receive if you left the principal in the pension program. For example: Let's say you have a choice of taking either \$20,000 in a lump-sum (most likely subject to federal and state income taxes) or \$125 a month for your lifetime (or the lifetimes of yourself and your spouse). Let's assume the \$20,000 after taxes boils down to \$15,000—which you could then invest (as of 1981) at 10%. The annual income would then be \$1,500 a year, or a bit more than \$100 a month. You must now decide whether you would rather have \$125 a month for your spouse and yourself for the remainder of your lives, or whether to take the \$20,000, pay \$5,000 in taxes, have about \$105 to \$125 a month "forever," and still have the principal (\$15,000) basically intact to pass on to your heirs or to draw on as you yourself might require. Keep in mind, of course, that any drawing on the principal would reduce your monthly income. Also keep in mind that my arbitrary figures would vary with different income tax brackets, and—most important of all—with the different ages of the pensioners involved. But the basic arithmetic and the method of comparison apply.

Company Pension Plans

MANY PEOPLE TAKE Social Security for granted—only to discover, when they go to apply for it, that their understanding of Social Security and how it works is considerably off-base.

Social Security checks generally are based on your average earnings under Social Security over a period of years. The amount of benefits to your dependents or survivors also depends on your average earnings during your working years.

While you are working, Social Security contributions are deducted regularly from your wages. But these contributions are not exactly "yours" the way money you put into a savings account would be. Instead, your contributions are more like the money you pay for an insurance policy; you may get back all or much more than you contributed—or nothing at all. It de-

pends on many different factors when you reach the eligibility age. Chances are you'll get back more in benefits than you paid in. This is partly because your employer(s) also contribute(s) a Social Security tax on each of your paychecks over the years.

The original Social Security Act of 1935 grew out of the Great Depression when extensive unemployment had wiped out the savings and equity built up by many people—leaving nothing to carry them through old age. The Social Security Act set up a compulsory federal program of payroll deductions, with employers contributing an amount equal to that paid by employees—up to a specified wage-base "ceiling." This ceiling has been changed by Congress several times since 1935, most recently (and most drastically) in 1977. Congress has raised Social Security benefits periodically, too.

Social Security Benefits

At the same time, Congress has at various times extended benefits to *non*-retirees, including disabled workers, children, widows, and widowers. Some of these supplementary programs have come under fire in recent years as cutting too heavily into Social Security funds—particularly in the face of inflation and population changes that have sharply increased outgo in relation to income from S. S. taxes.

Contrary to many people's belief, Social Security was never intended to be a dollar-for-dollar replacement of the income lost when a person retired, died, or became disabled. It was intended only as supplemental income—to provide a base or "floor," with personal savings, private pension plans, etc., providing the rest of one's retirement income.

So if you continue to work after you retire, you may still be able to receive benefits. The amount that you can earn and still collect full benefits depends on whether you are age 65 to 70 or under 65. The limits are different for the two age groups.

In 1984 you may earn up to \$6,960 and collect all your benefits for the year. If you earn more than that, \$1 in benefits will be deducted for each \$2 earned above \$6,960. In future years, the amount that is exempt will automatically be adjusted annually to reflect increases in average wage levels.

If you are under 65, you can earn \$5,160 in 1984 without losing benefits. Again, for earnings above that amount, \$1 will de-

ducted for every \$2 earned. This earnings limit will continue to rise annually, automatically adjusted to reflect increases in wage levels. The year you reach age 65, the higher earnings limit will apply.

But the picture changes for people age 70 and above. At age 70 retirement benefits are payable regardless of how much you earn.

The following chart gives you an idea of how the earnings limit works, assuming that you retired in 1984 and are eligible for the maximum annual benefit of \$8,436, based on maximum career earnings under Social Security law:

If you earn in 1984	Your benefit will be:
Up to \$ 6,960	\$8,436
7,000	8,416
8,000	7,916
9,000	7,416
10,000	6,916
11,000	6,416
12,000	5,916
13,000	5,416
14,000	4,916
15,000	4,416
16,000	3,916
17,000	3,416
18,000	2,916
19,000	2,416
20,000	1,916
21,000	1,416
22,000	916
23,832	0

Monthly Benefit Payments for Workers Who Reached 65 Before 1982 (Including 3.5% "cost-of-living" increase effective December 1983)									
FOR WORKERS					FOR DEPENDENTS (1)				
Average Yearly Earnings	Retirement at 65	at 64	at 63	at 62	Spouse 65 or Child	at 64	at 63	at 62	Family (2) Benefits
\$ 3,000	\$391.10	\$365.01	\$338.93	\$312.88	\$195.50	\$182.46	\$169.42	\$156.40	\$ 597.90
4,000	460.00	429.32	398.64	368.00	230.00	214.66	199.32	184.00	786.10
5,000	533.50	497.92	462.33	426.80	266.70	248.91	231.12	213.36	984.20
6,000	603.00	562.78	522.56	482.40	301.50	281.39	261.28	241.20	1,105.70
8,000	749.40	699.41	649.43	599.52	374.70	349.71	324.72	299.76	1,311.50
9,000	792.10	739.27	686.43	633.68	396.00	369.59	343.17	316.80	1,368.00
10,000	830.40	775.01	719.28	664.32	415.20	387.51	359.81	332.16	1,453.00

1. If a person is eligible for both a worker's benefit and a spouse's benefit, the check actually payable is limited to the larger of the two.
2. The maximum amount payable to a family is generally reached when a worker and two family members are eligible.

Since 1974 annual cost-of-living increases have raised Social Security benefits substantially, thanks to an important provision in the Social Security law that makes benefits "inflation proof" by providing automatic yearly increases to keep up with the cost of living. Each year in which the cost of living rises 3% or more, there will be an automatic increase in benefit rates. The latest automatic "cost-of-living" benefit increase was 3.5% across the board, effective January 1984.

SOME OTHER FACTS about Social Security to help your financial planning:

If you qualify for checks on the record of more than one worker (for example, on your own record and your husband's), you'll get only an amount equal to the larger of the two amounts.

The lump-sum payment made at a worker's death is \$255.

Under present laws, you can retire as early as age 62 and start collecting Social Security, but your benefits check will be reduced permanently. Payment amounts are also reduced if a wife, dependent husband, widow, or dependent widower starts getting payments before age 65.

The amount of the reduction depends on the number of months you get checks before you reach 65. If you start your checks early, you'll get about the same value in total benefits over the years but in smaller installments to take account of the longer period you'll get them.

Although the exact amount of your retirement check can't be figured out until you actually apply for benefits, you can estimate the amount ahead of time. Ask at any Social Security office for a copy of the leaflet, *Estimating Your Social Security Retirement Check*.

In any case, you should apply in person for Social Security at your local Social Security Administration office *three months before your actual retirement date*.

DOES OWNERSHIP of your retirement home make sense? Does ownership of other real estate guarantee you retirement income?

More fortunes have been made in real estate than perhaps in any other single investment medium. At the same time, the same holds true for fortunes lost. Crumbling real estate values have all but wiped out many an entrepreneur.

If you have for years enjoyed the gift of real estate investment and management, you have probably made money from this over your lifetime and can conceivably continue to profit from it in retirement.

But if you have never gone beyond ownership of your own home, consider making your first real estate investments for

Up to now, Social Security benefits were not subject to federal income tax. But for some people, a portion of Social Security benefits will be included in their taxable income for 1984. If your adjusted gross income is more than a certain base amount—\$25,000 for a single person, \$32,000 for a couple filing jointly—the amount of your Social Security benefits that are subject to tax is whichever is less: half of the benefits for the year, or half the amount by which your income exceeds the base amount.

When you apply for Social Security benefits, you should have with you:

★ Your own Social Security card or a record of your number (if your claim is on another person's record, you'll need that person's card or a record of the number).

★ Proof of your age; a birth certificate or a baptismal certificate made at or shortly after birth if you have one.

★ Your marriage certificate if you're applying for wife's or widow's benefits.

★ Your children's birth certificates if you're applying for them.

★ Your federal tax W-2 form for the previous year; a copy of your last federal income tax return if you're self-employed.

If you return to work after you start getting retirement checks, your added earnings will often result in higher benefits when you again stop working. Social Security will automatically re-figure your benefit after the additional earnings are credited to your record.

Social Security benefits are, of course, always subject to government changes dictated by the changing economic climate. For this reason you should get answers to your Social Security questions directly from the nearest Social Security Agency office. Do not make the mistake of listening to self-proclaimed experts, or to uninformed neighbors who may already be receiving benefits. Get your advice *only* from an *official* source. That is the only way you can be certain of having the full, correct story!

profit in retirement with all the caution you would practice in launching a retirement career as a lion tamer. It can "bite." The fact that you may have owned your own home does not qualify you as a real estate investor or manager any more than the fact that you have played the piano since age 9 qualifies you to give a recital at Carnegie Hall or the Hollywood Bowl.

Investing in real estate for profit requires just as much expertise as practicing law or medicine, playing an instrument, or cutting fine diamonds. It is a business which requires the ability to evaluate real estate—whether vacant land or buildings—to judge what it may be worth in the future, to manage it profitably for whatever period you intend to hold it, and, finally, to handle

Other Points to Keep in Mind About Social Security

Retirement and Real Estate Ownership

the sale of real estate at the most favorable terms (to you). And, if it is going to be a successful venture, the financial savvy to judge how best to use your own capital for the most gain.

Owning Your Own Home

THE QUESTION OF OWNING your own retirement home, of course, is an entirely different matter. Some persons have long owned their own homes, and it's therefore a familiar and comfortable life-style for them. But many who have lived all their lives in rented quarters decide on the eve of retirement that they finally must hold title to their home. It's not an unreasonable sentiment, but too often is not evaluated in the harsh light of mortgage rates, monthly amortization, real estate taxes, maintenance costs, and involvement of what may be limited capital. *A home is not a home if its ownership is a constant drain on limited capital and income.*

The problems with a sentimental approach to home ownership in retirement are reflected in the following shibboleths and slogans which have grown up around such ownership:

"We will always have a roof over our heads."—*Not necessarily.*

"We'll have something to show for our money— not merely a bunch of rent receipts."—*That doesn't mean you will always show a profit.*

"We'll always have something which goes up in value." *No guarantee in this day and age.*

Ownership of real estate, very much like the little girl with the curl in the middle of her forehead, can be beautiful or horrid.

First, the positive attributes of home ownership:

It provides a sense of deep, long-term comfort which many retirees can not achieve in rented quarters. The satisfaction of putting a shelf or a terrace or a door exactly where you want it, and where it will stay for as long as you want it there, offers enjoyment not available in rented quarters. Long-term friendships with neighbors and with merchants are further bonuses.

Financially, a house with reasonable maintenance costs and reasonable real estate taxes may very well supply living quarters at a cost below what rented apartments or flats can provide. Such a house also provides tax credits for interest paid on mortgages and for real estate taxes—two deductions renters do not get. It may, if all goes well with your city or township show you a substantial capital gain (provided, of course, you sell out at some time and take the profit).

But, there are these negatives:

Long-term associations and geographic roots may not be what you want in retire-

Small realty investments require that you do all the work yourself. Large real estate investments, however, require that you know and trust the managers.

ment. You may want to buy a motorhome and travel, or move to a more comfortable climate, or move closer to your children, or to other retired friends or relatives.

Financially, home ownership often masks real costs so that folks retiring on limited or tight budgets may not be aware that their home—comfortable as it may be—is actually costing them much more than they suspect.

For example: (you'll have to put current interest rates into the formula) let's say you were employed at \$20,000 annual salary. A \$50,000 to \$60,000 home (present value) may not have been too much of a burden. But on a \$12,000 retirement income (company pension, plus Social Security) it may turn out to represent a luxury you'll end up wishing you could trade for other things —if you ever took the time to figure out exactly what it is costing you.

Consider these fallacies: "We own it free and clear—no mortgage, so the rent is cheap." Not so. You may own all \$50,000-\$60,000 of it, but that means all of that money is devoted to paying part of your rent via equity ownership. (The rest of the "rent" expense—real estate taxes, heat, home repairs, insurance, water—are current *out-of-pocket* expenses.) Only such arithmetic will tell you what your "rental" expense *really* is.

Now, to the total of the above-mentioned current expenses (let's call it \$2,000 a year), add the net income (after taxes) that \$50,000 or \$60,000 could bring in if you had it invested in securities and not in your home.

Let's call that income in today's interest rate market \$4,000 to \$4,500 a year before taxes. So, your total annual rental for your "owned-down-to-the-ground" home is not the \$2,000 you pay out for taxes and services, but a total of \$6,000 or \$6,500—or better than \$500 a month. (Keep in mind, too, that if in retirement you are in a low tax-bracket, the net income from that \$50,000 to \$60,000 equity could run as high as \$5,000 making your total "rental" bill \$7,000 a year.

Some retirees, of course, simply prefer to remain in their own home so long as they can comfortably afford it. And that is their right. My only warning is: Make sure you understand, to the dollar, just what your home costs you—in actual money going out for tax, fuel, and all other costs *plus* the income you are passing up by keeping your equity invested. This is the only way you can arrive at a decision as to whether or not your present home is your *best* financially comfortable retirement nest.

SHOULD YOU USE a mortgage loan to buy your retirement home? And should you retain the mortgage on your retirement home if you have funds with which to wipe it out?

There are two approaches to this question: (1) psychological and (2) financial.

Psychologically, there is a tremendous "lift" to be derived from a mortgage-free home, especially in retirement when paycheck earnings have ceased and you are living on money accumulated during your working years. But even a mortgage-free "roof" doesn't come free of charge. There are always taxes, insurance, repairs, water and other utility costs to be met. Furthermore, the money you expended to wipe out that mortgage had earning power for your retirement also.

If the psychological comfort of a mortgage-free home is of paramount importance to your retirement happiness, then there is no debate: wipe out the mortgage. But if you are sufficiently unemotional to do some basic arithmetic, read on.

Let's say you are about to buy, or have bought, a retirement home for \$50,000, and are wondering whether to pay all cash (which, let's assume, you could do) or put down only \$30,000, borrow the remaining \$20,000 at an interest rate now around 10% on a 15-year mortgage, and keep your own \$20,000 invested in savings certificates or high-quality corporate bonds. Here are your options:

Under *Plan A*—you pay \$30,000 cash. *Advantages:* No mortgage, no monthly interest payment, plus amortization, a "free and clear" retirement home. *Disadvantages:* The loss of income from that \$20,000—which could be bringing in anywhere from \$1,500 to \$1,700 a year.

Under *Plan B*—you pay \$30,000 down, borrow \$20,000 on a 10% 15-year mortgage. *Advantages:* You retain \$20,000 for investments which can provide income and some reserves. *Disadvantages:* You saddle yourself with monthly payments for the next 15 years.

Which is financially more advantageous? Part of the monthly mortgage payment can be counted, of course, as income-tax-deductible interest and part of it as amortization. The latter is a form of "forced savings" since it steadily builds up your equity in the house. However, it is all monthly outgo. You've got to have it in order to pay it, and it must mean that you have less to spend for other things—necessities as well as luxuries. The interest portion is, of course, nearly offset by the income you could expect from \$20,000 retained in your investment portfolio, but the amortization payout is above and beyond that. The \$20,000 retained in investments could, presumably, bring in about \$135 a month from an "8% plus" bond investment. But that still leaves a budget deficit in order to meet the monthly mortgage bill.

If you are retired on a tight budget, it may well be that it will pay to buy for all cash and save the amortization outlay. However, there is no way to give a blanket answer to this problem without doing all the arithmetic for your specific situation.

You must take into account the earnings of the \$20,000 you now have invested, the

cost of the mortgage—in interest rates, setting-up expenses, and amortization. Also your individual tax savings in retirement on any interest deduction, and finally, the net result of a mortgage vs. no mortgage on your actual monthly budget—in dollars and cents

A Dividend Check Every Month?

For many retired folks, the regularity and frequency of dividend income is important. It is possible to arrange a common stock portfolio so as to receive a different dividend check every month. A minimum of three different issues, each paying dividends in different quarters, is all that is needed.

Following is a brief sampling of common stocks rated B plus or higher, yielding about 5 per cent or better, which have paid dividends quarterly for at least 30 years. The list is not all-inclusive. Inclusion here is not a recommendation to buy. You should invest only with the help of a reputable broker. (For further background on stocks, see page 8.)

Some companies paying dividends in JANUARY, APRIL, JULY and OCTOBER: American Telephone & Telegraph, Amstar, Atlantic City Electric, Baltimore Gas & Electric, Bangor Hydro Electric, Bell Telephone of Canada, CPC International, Duquesne Light, Middle South Utilities, Mountain States Utilities, New England Tel. & Tel., New Haven Water, Northern

States Power, Pacific Gas & Electric, Portland General Electric, Southern California Edison, United Illuminating.

Some companies paying dividends in FEBRUARY, MAY, AUGUST and NOVEMBER: American Can, American Smelting & Refining, Arkansas Western Gas, Boston Edison, Brooklyn Union Gas, California Water Service, Central Hudson Gas & Electric, Central Vermont Public Service, Columbia Gas, Commonwealth Edison, Consumers Power, Illinois Power, Public Service of Colorado.

Some companies paying dividends in MARCH, JUNE, SEPTEMBER and DECEMBER: Alabama Gas, Allegheny Power, American Brands, Arizona Public Service, Caleneese Corp., Central Illinois Light, Central Illinois Public Service, Central Maine Power, Consolidated Edison, General Foods, General Motors, Gulf Oil, Inland Steel, Potomac Electric Power, Public Service Electric & Gas, Public Service of Indiana.

A PARTIAL LIST OF STOCKS QUALIFYING AS RETIREMENT INCOME SOURCES

Here is a list of investment grade companies which have paid dividends without interruption for many years. It is by no means all-inclusive. Every issue listed is not suited to every investor. Nor does the fact an issue is omitted imply any criticism of its investment standing. This is merely a sampling of the type of securities to consider if safety is import-

ant to you. Only a reputable broker can help you decide. Income varies, but current yields of 5% and more are obtainable from some of the commons, and even higher returns from some of the preferreds and bonds of these corporations—both "straight" and convertible issues. (For further background on stocks, see page 7.)

RAILROADS

Chessie System Norfolk & Western	Pullman Santa Fe Industries	Southern Pacific Southern Ry.
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UTILITIES

Allegheny Power American Electric Power American Natural Resources American Telephone & Telegraph Baltimore Gas & Electric Boston Edison Brooklyn Union Gas Cincinnati Gas & Electric Columbia Gas Cleveland Electric Ill.	Commonwealth Edison Consolidated Natural Gas Duke Power Duquesne Light El Paso Natural Gas Equitable Gas Houston Lighting National Fuel Gas New England Electric New England Tel. & Tel. New York State Elec. & Gas	Niagara Mohawk Northern Indiana P.S. Pacific Gas & Electric Pacific Lighting Peoples Gas Philadelphia Electric Potomac Electric Providence Gas Public Service Elec. & Gas Puget Sound Power & Light Southern Co.	Southern Natural Gas Tenneco Toledo Edison Tucson Gas & Electric Union Electric United Gas Corp. United Gas Improvement Washington Gas Light Washington Water Power Wisconsin Electric Power
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INDUSTRIALS

Allied Stores American Brands American Can American Cyanamid Armco Bethlehem Steel Borg-Warner CIT Financial Cities Service	CPC International Dow Chemical Exxon Ford General Foods General Motors W. R. Grace Goodyear Tire Gulf Oil	Inland Steel Int'l Harvester Kimberly-Clark Kraft Kroger Libby-Owens-Ford Liggett Group Mobil Oil	Nabisco National Distillers National Gypsum Phelps Dodge RCA Corp. Reynolds Industries Safeway Stores Sherwin-Williams	Standard Oil of Cal. Stone & Webster Texaco Union Carbide J. S. Gypsum J. S. Tobacco F. W. Woolworth Wm. Wrigley
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Setting Up Your Personal Budget

A RETIREMENT BUDGET is—and must be—a very personal thing. It should reflect *you*—not your brother or sister or any of the folks you used to work with. But, most important, it should be set down on paper. Too many retirees try to live by the seat-of-the-pants method of budgeting—only to see money going out faster than it comes in. The result: there are days (or weeks) when you're so short of funds that all you can do is sit and complain until the next Social Security or pension check arrives. That's no retirement life.

Some experts advise setting up a month-by-month budget. But few of us spend identical amounts each month. More flexible is an alternate-month budget. This means budgeting your income and outgo over a two-month period, pairing "survival needs" with less essential items that bring you joy in living. The first month, for example, might call for roughly 10 to 20% (or whatever amount you estimate) more spending than in the second month, when you cut your spending to match the cash flow. During the first month, you live a bit more self-indulgently—eating out, shopping, traveling. During the alternate month you can catch up on correspondence, hobbies, reading, home repairs, or just visiting friends.

Whatever method or time-period you decide on, the key to any useful budget is

clearcut, *comprehensive* planning. It should begin with a simple listing-and-matching exercise—using, for example, the worksheet provided on the last page.

The way to start your budget computations is by listing a *full year's* income sources, along with the amount you estimate you'll accrue from each. Then divide the total by 12, to get your average monthly retirement income—or divide by 52 or 26 if you prefer to set up your budget on a weekly or bi-weekly basis.

Next, list your expenses—and again the decision must be your own as to whether it's monthly, weekly, bi-weekly, or even bi-monthly. But make this list as all-inclusive as you can. It may take some juggling to break everything down into one time-period, since some bills obviously will come in weekly, some monthly, some bi-monthly, and some quarterly.

What will come to the surface as you work on your budget is something that sums up a lot about any money plan for retirement: It should be shaped to meet not just survival but expanded retirement interests. So be imaginative in listing items that will enable you to achieve not only a feeling of financial independence but also of participating more fully in life. Be flexible, and a little daring where you can afford it. As John Ruskin once said: "There is no wealth but life."

IRA: All the Way or No Way?

DESPITE THE SPATE of publicity and advertising about the new rules on Individual Retirement Accounts, many people in their 50's and 60's have no idea whether this tax shelter benefits them or whether they are even eligible. This is not surprising. Most banks and other financial institutions have pitched their advertising to 30-year-olds, whose money they can tie up for 25 years or more on the less than solid promise that an IRA will turn them all into millionaires by the time they retire.

The new IRA rules allow you to stash away up to \$2,000 of earned income each year without paying taxes on it until you withdraw it—no sooner than age 59½ and no later than age 70½. This tax shelter is available in addition to any other pension plan you may have and regardless of your total earnings. (Even if you earn only \$2,000 a year, you can put it all into your IRA if you can afford to.) But the age limits may have caused 50-plussers a good deal of confusion. Fifty-year-olds wonder whether the plan is worth their trouble, and 60-year-olds may think that the 59½-year age limit renders them ineligible.

Actually, if you are in your 50's, the new IRA is probably more advantageous to you than it is to your 30-year-old son or daughter. To begin with, you'll be tying up your money for only nine years or less. More important, if you are at peak income, you can more easily afford the full \$2,000 deposit. And, of course, the higher your tax bracket, the more the tax shelter is worth to you.

If you are in your 60's, you can enjoy these same advantages plus a couple of others. First, you can open an IRA without tying up your money at all, since withdrawals are permitted after age 59½. This gives you great flexibility, because you can deposit the maximum to take advantage of the tax shelter but withdraw it (and pay taxes on it) if you happen to need it a few months later. Moreover, if you deposit your money a year or two before beginning your Social Security benefits, you can withdraw it after you begin collecting these benefits, at which time you are almost certain to be in a lower tax bracket.

How much more money will an IRA yield than a regular savings account that doesn't allow for tax-deductible contributions? The answer is a lot more. Consider a couple age fifty who are in a 30% tax bracket. A contribution of \$2,000 by each spouse—for a total of \$4,000—would actually cost them only \$2,800, given the tax that they are saving by investing that money in an IRA. If they had chosen instead to invest that same \$2,800 in a regular savings account at 10% annual interest, in twenty years their investment would yield \$10,835. By investing in an IRA, however, in twenty years their initial investment would bring them \$26,910! Even after paying taxes they are much better off with the IRA.

The following table shows the growth of IRA contributions at 8% and 12% annual rates of return, assuming that a \$2,000 contribution is made each year from the starting age until age 70:

Age When IRA is Estb'd	Total Amount Invested by Age 70	Accumulation at Age 70, Assuming Rates of Return of:	
		8%	12%
50	\$40,000	\$106,754	\$180,765
55	30,000	63,340	93,527
60	20,000	33,794	44,026
65	10,000	13,686	15,938

It's important to remember that while contributions to the IRA are tax-deductible, when the amounts are withdrawn taxes must be paid on them.

There are several different types of IRA's that are available, so it makes sense to shop around and find the plan that is best for you. Commercial banks, savings banks, and savings and loan associations offer IRA's, through regular passbook savings accounts and certificates of deposit (CD's), with a variety of maturity dates. Certain "wild card" CD's can earn interest at whatever rate a given financial institution chooses to pay—either a fixed rate or a variable interest rate. A fixed-rate CD guarantees you an interest rate for a certain period, which guards against falling interest rates but doesn't allow for shifts to a higher rate during the period. When you are comparing the fixed-interest rates offered by different institutions, be sure to consider how often interest is compounded (for example, daily, monthly, or quarterly). The more frequent the compounding of interest, the greater the yield on the account.

Variable rates change weekly or monthly over the term of the CD in step with a selected market index. Most institutions use an index that fluctuates with interest rates. And some institutions will guarantee a minimum rate of return for a limited period—such not as less than 8% during 1984. This guarantee protects the customer, while allowing for increases in the index.

IRA's that are established through banks and savings and loan institutions are insured by government agencies. As a rule, these organizations do not charge set-up fees or annual maintenance fees.

Another kind of IRA is the mutual fund, the investment in a pool of assets such as growth stocks, tax-exempt municipal bonds, income stocks, or a combination of these. There are two main advantages of the mutual fund for the IRA investor. One is that there is sometimes no charge for setting up the IRA and management fees usually run no more than \$10 a year. The second, and more important, advantage is that many mutual fund organizations offer a variety of investment funds and give you the option of moving your money among them. For example, you can usually choose from among money market, bond, and

common stock funds, invest in one or any combination of these, and then transfer your assets among them to maximize your return. Some mutual funds will place some limits on transferring, such as by requiring you to name one fund as the "lead," or primary fund and require you to invest a certain amount before you can transfer to another fund. You can make transfers easily, too, usually by phone or by mail.

Insurance companies also offer IRA's, in the form of annuity contracts. The most common type of annuity is the traditional annuity, which guarantees that you will receive a certain amount of money per month for life for every \$1,000 that you have deposited. Some insurance companies offer annuity contracts with different types of investment approaches, such as a stock account or money market account. If you choose a stock account or a money market account—which is a pool of bond-type assets similar to a mutual fund—your return will depend on how well the investment performs. These accounts involve a certain amount of risk, as you are relying on the results of the company's investments. But the returns have proved to be much greater than with traditional annuity contracts.

If these advantages appeal to you, shop around carefully and don't put all your eggs into one IRA. Although the law limits your annual deposit to \$2,000, it doesn't limit the number of accounts into which this maximum can go. Splitting your deposit

among two or three accounts (perhaps a savings certificate, a money market fund, and a stock broker) offers you not only the advantage of diversification but—more important—flexibility in making withdrawals. Many IRA's must be withdrawn either in a lump-sum or on an annuity basis. Thus, if you put all \$2,000 into one account and then need some cash, you'll have to withdraw the full amount and pay tax that year on \$2,000 plus earned interest. If, however, you deposit \$500 into each of four accounts, you can withdraw only one or two of them and leave the others for withdrawal in later years so as to even out your tax burden. Moreover, if you want to make further deposits during the next few years, you can choose the account that has demonstrated the best performance.

IRA's have other uses as tax-saving vehicles. If you have participated in a company pension plan, you may transfer the payment from the pension plan, or "roll over" the funds, into an IRA when you retire and avoid paying tax on the funds. The amount of money rolled over will be taxable later, when you receive money from the IRA.

Thus you can avoid paying a very high tax on a payment from your employer's pension plan by rolling over the funds into an IRA. You'll pay tax later, of course, but only as you receive the assets from the IRA—usually when you are older and in a lower tax bracket anyway.

Borrowing on Your GI Insurance

IF YOU BOUGHT GI insurance (National Service Life Insurance) when you served in the armed forces 30 or 40 years ago, you are probably unhappy about what inflation has done to its face value. The maximum \$10,000 policy, which at that time was equivalent to about to about three years of earnings, has sunk to less than one-sixth of its original value. But if your policy is still in force, there is one way—not widely known—in which you can beef up its value. Many of these policies have a cash value which you can borrow from the Veterans Administration at the fixed rate of 5% per year. If you borrow the full cash value and invest it at today's high interest rates (the approximately 13% currently available from money market funds and savings certificates), you'll pocket 8% a year on the amount you borrow.

You will, of course, be paying annual interest on the loan but this, like all loan interest, is tax-deductible. The regular dividend you may be receiving on your policy from the Veterans Administration will not be affected. Of course, the face value of your policy will be reduced by the amount you borrow, but the high return your loan will be earning should make up for this. If interest rates ever drop to 5%, you can repay the loan and restore the full value of your policy. By that time, however, the amount of money you borrowed may well have doubled.

To find out the cash value of your policy and to get a loan application, get in touch with the nearest office of the Veterans Administration.

Your Own Retirement Budget Worksheet

MONTHLY INCOME: SOURCES		MONTHLY OUTGO: EXPENSES <small>(Including 1/2 of bi-monthly expenses, 1/3 of quarterly, 1/12 of yearly, etc.)</small>	
ITEM	AMOUNT	ITEM	AMOUNT
Social Security	_____	Food	_____
Pension and Annuity	_____	Housing (rent, mortgage)	_____
Interest (Bonds, savings account, loans, mortgages you own)	_____	Utilities Fuel/Water	_____
Part-time wages or salary	_____	Telephone	_____
Consulting fees	_____	Laundry/Dry Cleaning	_____
Commissions	_____	Auto: Gas, etc.	_____
Widow's benefits	_____	Bus fares	_____
Endowment policy	_____	Church donations	_____
Veteran's compensation	_____	Clothing	_____
Stock dividends	_____	Recreation (movies, concerts, ballgames, etc.)	_____
Annuities	_____	Alcohol and tobacco	_____
Insurance cash value	_____	Entertaining	_____
Capital gains	_____	Eating out	_____
Tax refunds	_____	Magazines, newspapers	_____
Rent from property	_____	Medical/dental	_____
Profit from sale of real estate or stocks	_____	Drugs/medicines	_____
Windfall sales (antiques, stamp or coin collections, old books, etc.)	_____	All insurances	_____
Royalties	_____	Medicare	_____
Other sources	_____	All taxes (income, property, state, city)	_____
TOTAL	_____	Personal services (barber, hairdresser)	_____
		Tools, hobby materials	_____
		Home repairs	_____
		Gifts	_____
		Other	_____
		TOTAL	_____

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REPORT
TO THE FOURTEENTH LEGISLATURE - FIRST SESSION
AND
TO GOVERNOR BILL SHEFFIELD
FROM
THE STATE SPECIAL COMMITTEE ON THE
ALASKA LONGEVITY BONUS PROGRAM



February 1, 1985

REPORT TO THE FOURTEENTH LEGISLATURE - FIRST SESSION
AND TO GOVERNOR BILL SHEFFIELD FROM THE STATE SPECIAL
COMMITTEE ON THE ALASKA LONGEVITY BONUS PROGRAM

together with

DISSENTING VIEWS AND ADDITIONAL COMMENTS

February 1, 1985

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Introduction.

In June, 1984, the Alaska Longevity Bonus Program (AS 47.45) was declared unconstitutional because it required recipients to have resided in Alaska both prior to statehood and for 25 consecutive years. The Thirteenth Legislature, 2nd Sess., repealed these lengthy residency requirements, thus opening the program to new participants. Ch. 38, SLA 1984. However, the amended law, by its own terms, is to be repealed effective June 30, 1985. Id., Sec. 11.

The legislation also established the State Special Committee on the Alaska Longevity Bonus Program to "determine the feasibility of replacing the longevity bonus program, as amended by this Act, with an annuity program, a needs-based program, or other longevity program." Id., Sec. 7. This is the committee's report.

Recommendation: Annuity Approach.

The committee has developed a proposal which would phase out the existing longevity bonus program and replace it with individual annuity accounts funded primarily by the permanent fund dividends of participants. 1/ The proposal has been

1/ Three different annuity approaches were initially considered by the committee: (1) SB 465, introduced in the 1984 legislature by several senators; (2) an amended version of HB 700, also introduced in that legislature; and (3) a draft bill prepared by Senator Bill Ray (D., Juneau). The Ray bill became the vehicle for the Committee's proposal. All three proposals involved

introduced in this legislature as SB 56. Under the committee bill, Alaskans who choose to participate in the program will receive monthly benefits, after reaching age 65, of at least the \$250 which is currently provided by the bonus program, inflated by three percent annually.

The program is available to those who reach age 65 after 1985. Under the bill, Alaska's existing elderly will receive their current \$250 bonus, inflated by three percent annually, without having to forego their permanent fund dividends.

The committee bill provides that each year every Alaskan (except those who are 65 or older before 1986) will receive his or her permanent fund dividend in the form of a credit to an annuity account, unless the individual affirmatively elects to receive cash. 2/ Section 2 of the bill envisions that the

foregoing a permanent fund dividend in return for some type of future annuity benefit.

SB 465 would have paid \$16.50 per month to each elderly Alaskan for every permanent fund dividend foregone -- to a limit of \$250 per month.

HB 700 would have given each Alaskan one annuity share for each foregone dividend. Each year, one third of the money available for permanent fund dividends would then be divided by the number of annuity shares held by those over the age of 65. Each elderly Alaskan would receive a portion of that annuity fund commensurate with the number of shares held.

The committee was advised by legal counsel that HB 700 and SB 465 created greater constitutional risks than did the Ray proposal; the committee therefore focused on the concept embodied in Senator Ray's bill.

2/ This aspect of the committee proposal reflects a change from

legislature may, at least in the early years, "front-load" the program by appropriating additional funds into the annuity account, which will be attributed to individual accounts on a prescribed formula. Under that formula, state contributions are greatest for those approaching retirement age, and decline for younger Alaskans. Beginning at age 65, a participant receives an annuity based on his contributions and any front-loading -- plus earnings accumulated on those amounts. 3/

Even with front-loading, it will be years before annuity payments are sufficient to replace the longevity bonus. The ALB program is thus retained at a level which, for those turning 65 after 1985, will be reduced annually. 4/ Under the bill, a "target amount" for the ALB is established (Section 8), which is \$250 per month (in FY 1986) inflated by 3% each year. That target amount is then reduced by the maximum possible annuity which would be available to a 65-year old who has participated in

earlier annuity bills, which required an election to forego cash payment. Because, in the future, the annuity program will be the only state source of non-need-based retirement assistance, the committee believes that each Alaskan should be required to come to grips with the long-term consequences of a decision to take the dividend in cash.

3/ Under the committee bill a participant who dies before age 65 will forfeit his accumulated annuity credits (see the discussion of survivor options at 17, post); the amounts forfeited will be reallocated to surviving participants and thus will increase their annuities.

4/ The longevity bonus itself is, of course, available to all elderly Alaskans whether or not they have also established annuity accounts.

the program in each year since the program's inception. For example, if the inflated ALB "target" for a particular year is \$280, and a person turning 65 who received an annuity credit in each year of the program would be entitled to an annuity of \$100 per month, the ALB payment for all recipients would be \$180. That \$180 will not vary according to the actual participation histories of individual ALB recipients.

Over the years, individual annuity accounts will become greater, and each year the longevity bonus payable to new recipients becomes correspondingly smaller. By the year 2003, the committee projects that the maximum possible annuity will be sufficient to bring an end to the general-funded ALB program, except for those relatively few who were 65 or older before 1986, and are still receiving ALB payments in that year. This is best illustrated by the following chart:

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	<u>Maximum Possible Annuity 5/</u>	<u>ALB (for all new recipients)</u>
1986	4.37	\$245.63
1990	32.50	248.88
1995	106.27	219.92
2000	255.70	122.45
2005	533.39	-0-

Other Options Considered

The committee invited its members, and others, to suggest alternatives other than an annuity program. Only one was advanced -- a "means test" program under which elderly Alaskans earning less than \$25,000 per year would receive a payment of \$250 per month. Those earning more than \$25,000 would receive a payment of \$100 per month. To qualify for the \$250 bonus, the applicant would be required to submit his or her tax return to the Department of Administration.

This program is intended as a permanent replacement for the ALB. However, the program envisions that the size of the payments, and the \$25,000 income limit, remain constant over the years. In terms of real income, the effect is as follows:

5/ Annuity projections are without "front-loading."

	<u>Maximum Income Eligibility for Bonus (year)</u>	<u>Amount of Bonus</u>	<u>Size of Alternate Bonus</u>
1986	\$25,000	\$250	\$100
2000	\$10,569	\$104	\$41.60
2010	\$ 5,902 <u>6/</u>	\$ 59	\$23.60

It is estimated that, initially, 80% of Alaska's elderly will be eligible for the \$250 bonus. Because that maximum income requirement drops each year in terms of real income, so too does the percentage of eligible elderly. Thus, less than half of Alaska's elderly will be eligible for the bonus in the year 2000, and only 30% will be eligible in the year 2010.

The committee rejected this means test proposal for the following reasons:

1. Any welfare program is contrary to the intent of the ALB program and is vigorously opposed by Alaska's elderly. The Longevity Bonus Program now says to Alaska's elderly that they are a precious human resource, and that it is in the state's interest to provide them with the wherewithall to remain in Alaska after retirement. The means test payment, on the other hand, carries with it quite different, and less favorable connotations.

6/ This is below Alaska's \$7032/year poverty level.

2. Of those who are potentially eligible for the \$250 means test payment, many may not apply because of its welfare connotations. This is strongly suggested by available statistics. Currently, nearly 6,700 ALB recipients -- or 40% of all recipients -- have incomes below the current eligibility limit for existing Old Age Assistance and Medicaid benefits. These benefits are substantial -- averaging \$2,640 per year for OAA and an additional \$2,500 per year for Medicaid. Yet, of the income-eligible, only 2,526 -- or roughly 38% -- have in fact applied for OAA and Medicaid. Certainly, some of the remaining income-eligible have not applied because they have more assets than current law allows. Nonetheless, these statistics manifest an aversion to need-based assistance which has deterred many of Alaska's apparently eligible elderly from applying for substantial benefits.

3. Thus, while 20% of Alaska's elderly will be ineligible for the \$250 bonus, an additional percentage of existing ALB recipients will lose their current benefits because of their unwillingness to participate in a welfare program. For these reasons, this means test proposal fails a threshold test which should be a cornerstone of any longevity bonus legislation. Any ALB alternative, the committee believes, should provide those who have received the ALB over the years with the same benefits as under current law.

4. The proposal hurts both existing and new ALB recipients in another way. Because the real value of both the benefits and

the income ceiling will decrease over the years, fewer elderly will find themselves eligible, and those who are eligible will receive smaller benefits. By the year 2000, for example, less than half of Alaska's elderly will be eligible for a benefit with a real value of \$104 per month, while the majority will receive a token payment with a real value of \$41.60.

5. The proposal is substantially more expensive than the committee bill. Even though: (1) the committee bill protects existing elderly, while this means test proposal does not; and (2) the committee bill inflates the ALB annually, while the means test proposal does not, enactment of this means test proposal would cost nearly \$2 billion more than the committee bill over the next 50 years. Moreover, that cost would be born when the state could least afford it -- after the turn of the century, when oil revenues are projected to rapidly decline. It is important to the committee to develop an ALB alternative which phases out general fund obligations after the year 2000. As part 12 of this report discusses, while post-1999 costs under the committee bill are projected to be \$285 million, 21st century costs under the means test proposal would be roughly \$2.28 billion.

6. The committee has several concerns regarding the \$100 payment for which all elderly would be eligible. First, the committee does not know what that payment is intended to accomplish. It is doubtful that \$100 per month is a sufficient sum to allow any elderly to remain in the state who would

otherwise be financially required to leave. The payment may thus at once be too small to accomplish any social goal, and yet large enough to constitute a substantial drain on the state treasury.

Additionally, many elderly may view the \$100 payment as tokenism. If that is not the case now, it will certainly become so in the future when the real value of that payment shrinks to \$41 (2000) and \$23 (2010).

Finally, since the \$100 and \$250 payments are fundamentally different in purpose, the committee believes that they should be administered under separate programs. The \$100 payment is apparently intended as a residual ALB. On the other hand, the \$250 payment is a form of welfare. This payment, the committee believes, should be administered by the Department of Health and Social Services under the state's welfare laws. Otherwise, the state will, in essence, be creating two welfare bureaucracies -- one for Old Age Assistance, and one for the mis-named "longevity bonus."

7. Fewer people will meet the \$25,000 eligibility requirement as the years go by. Thus, by the year 2010, only 30% of Alaska's elderly will be eligible for this means test payment. Why, it might fairly be asked, are 80% of today's elderly in "critical" need of the higher payment, while only 30% will require the payment in years hence? For one who is currently denied the larger payment, or who may be denied it in the future solely because of inflation, this precise question will invariably be asked, and may be asked in the courts.

8. Finally, in requiring one year's residency in order to receive the \$250 means test payment, the proposal raises a substantial constitutional issue. The current ALB's one-year durational residency requirement is constitutional because the bonus is not dependent upon "need." Under both the federal and Alaska constitutions, if a program provides "the basic necessities of life," a 30-day residency requirement is the maximum constitutionally permissible. Memorial Hospital v. Maricopa County, 415 U.S. 250, 259 (1974); Shapiro v. Thompson, 394 U.S. 618 (1969). Generally, benefits which are accorded on the basis of the recipient's income tend to be viewed by the courts as involving "basic necessities." For example, in Jeffrey v. Colorado State Department of Social Services, 599 P.2d 874 (Col. 1979), the Colorado Supreme Court struck down the lengthy durational residency requirement of that state's old age pension program, and held that the program provided basic necessities of life. The state argued, unsuccessfully, that its program was more akin to an income supplement, rather than a form of welfare. The court, however, ruled that because the size of the pension was a function of the applicant's other income, a 30-day residency requirement was required:

[The state] attempt[s] to avoid the strict scrutiny - compelling state interest test mandated by Shapiro by characterizing the old age pension program as an 'annuity.' However, unlike true annuity or pension programs which are unaffected by a recipient's other income, the old age pension benefit is directly and proportionately reduced by the amount of other income. Thus, the characterization of the old age pension program as an "annuity" puts form over substance and

disregards the nature of the program, which is to fulfill basic needs and not to supplement separate income.

599 P.2d at 879. Emphasis added.

The means test proposal has been defended because of its high income limits. This does make the program different from that involved in Jeffrey, and the committee agrees that this defense could be made in good faith. To the committee, however, that is not enough. Early in the committee's deliberations, the committee agreed to develop a proposal which would avoid serious new constitutional issues and the threat of continued litigation. While any legislation which treats some people differently than others may result in litigation, the means test proposal raises a serious and substantial residency discrimination issue, and therefore does not meet the committee's goal. 7/

For these reasons, the committee does not believe that the means test proposal is a viable alternative to the existing ALB program.

The committee was also aware of the "stair-stepping approach," under which the ALB program is slowly phased out through an annual increase in the eligibility age. Under legislation which passed the House of Representatives during the

7/ Additionally, it should be noted that the issue will become more serious in future years. This is because while the income level is high at the outset, it shrinks dramatically, and in real value falls below the state's existing poverty level in the year 2008.

previous legislature, the eligibility age would begin to rise above 65 in 1991. Although no "stairstepping" proposal was ever advanced by anyone for formal committee review or action, the committee is aware of some continued interest in developing this concept outside of this committee's deliberations. The proposal thus warrants some comment.

First, the term "stairstepping" is a misnomer, since it connotes a gradual phasing out of the ALB program. In truth, the stairstepping approach causes the most abrupt program termination of any option considered, and also results in the most severe discrimination between groups of Alaskans. Under the stairstepping approach, if a person was born on or before June 30, 1925, the state would pay him or her \$250 per month for life. For persons born on July 1, 1925 and thereafter, the state would pay nothing. And, it is irrelevant whether that person is now an Alaskan. A current non-resident who is now 62 would receive \$250/month when he or she moved to Alaska, while a current 59-year old Alaskan would receive nothing. There is thus nothing gradual, or "stairstepped," about this process.

The stairstepping approach would be more expensive than the committee bill, 8/ and much of this added expense would be born after the turn of the century when the state can least afford it. See Section 12. Yet, despite its high cost, stairstepping would

8/ Assuming, of course, that the two had similar provisions dealing with the erosion of the real value of the bonus.

benefit fewer Alaskans. For example, some have assumed that participation in the annuity program is necessary in order for future elderly to benefit from the committee bill. This is not true. Under stairstepping, a person turning 65 in 1991 would receive no ALB whatsoever, while that same person would receive a 1991 ALB of \$222.61 under the committee bill, even if that person had never participated in the annuity program. Thus, for similar total costs, and substantially lower 21st century costs, the committee bill extends the benefits of the ALB program to many more Alaskans.

Most fundamentally, the committee believes that there is a need for future state participation in the building of retirement security that is not recognized in the stairstepping approach standing alone. Apart from the ALB, the principal form of non-need based assistance is, of course, Social Security. Yet Alaska's elderly receive the same Social Security payments as those who reside where the cost of living is much lower. Moreover, Alaska has a uniquely high percentage of elderly who are ineligible for Social Security because of a lack of wage-earning history. Thus, in one area of the state -- Northwest Alaska -- 66% of the region's elderly reported the ALB as their principal source of income.

As oil revenues decline, and economic activity in the state becomes more uncertain, it is entirely possible that the state's future elderly will find themselves in a more precarious position

than today. And, at that point, the state -- for these same economic reasons -- may be unable to help.

One obvious impact of abolishing the ALB program through "stair-stepping" is an increased Old Age Assistance case load. Certainly, when those near the poverty line are denied \$250 per month, they will simply turn to the welfare system, and the state will realize no net saving. Moreover, and as discussed previously, many ALB recipients who are apparently eligible for OAA and Medicaid have in fact not applied for these benefits. Over the years, the ALB program has been defended on the ground that it has enabled many Alaskan elderly to remain off the welfare rolls. Statistics bear this out, indicating that many of those ALB recipients who are eligible for OAA and Medicaid have been able to remain off these programs because of the bonus.

For these reasons, stair-stepping by itself is also not being recommended to the legislature.

On the other hand, the principal advantage of "stair-stepping" is the protection which it affords those who are currently on the ALB program, and who have come to rely on both the Longevity Bonus and the permanent fund dividend to sustain themselves. The committee concluded that forcing Alaska's existing elderly to forego their Permanent Fund Dividend in order to assure continued receipt of the "target" Longevity Bonus might work a hardship on these older Alaskans. As a result, the committee decided to include in the bill a so-called "grandfathering" provision which allows those reaching age 65

before 1986 to take their Permanent Fund Dividend in cash and still receive a full Longevity Bonus for the remainder of their lives. The committee legislation, then, is intended to blend the most salutary aspects of both an annuity approach and "stair-stepping."

The virtue of an annuity approach is that it enables the state and each individual Alaskan to set aside funds now for those perhaps more difficult years ahead. It is a program designed to substitute private thrift for public largesse. The committee also believes that the permanent fund dividend is an appropriate source of funds for the annuity program. The purpose of the annuity program is much like the purpose of the permanent fund itself. Moreover, one purpose of the dividend program -- to give each Alaskan a stake in the management of the permanent fund -- will be enhanced if Alaskans' retirement security is at least in part dependent on wise stewardship of that fund.

Major Features.

1. Front-loading. The committee envisions that the legislature may add additional sums to individual annuity accounts. Under "front-loading," a person will receive an annuity account credit greater -- and perhaps substantially greater -- than the amount of cash he or she could have received. It is the committee's hope that the legislature will consider front-loading for each of the program's first three years.

The committee initially analyzed the annuity concept without front-loading. Even without front-loading, annuity payments eventually replace longevity bonus payments from the general fund. Nonetheless, the committee feared that because annuity payments were low in the early years, those Alaskans who are now near retirement age would not participate in the program. Moreover, general fund contributions did not begin to see significant reductions for about 10 years.

Front-loading provides a substantial incentive to individuals to forego immediate cash in favor of retirement security. While it costs more in the initial years, that cost is incurred in years in which oil revenues are expected to remain high. Moreover, general fund contributions to the ALB program taper off rapidly. In other words, because front-loading causes the maximum possible annuity payment to increase, residual longevity bonus payments decrease more rapidly. Thus, dollars invested in early years through front-loading result in a decrease in general fund obligations in later years.

Under the committee bill, substantial front-loading now would actually result in a net savings over the life of the ALB program -- at least in nominal dollars. Thus, if \$79 million were appropriated for front-loading over the next three years, that investment would result in a return of \$82 million in reduced ALB payments over the next 25 years. In constant 1986 dollars, the ultimate cost of investing \$79 million now is \$30 million.

Additionally, front-loading serves other important purposes which the committee believes warrant the cost in constant dollars:

(1) The committee bill will work only if Alaskans participate. If they do not, Alaska's future elderly may still place demands on the general fund; and

(2) A premium may fairly be placed on the current availability of funds. If \$1.00 of general funds front-loaded now returns 75¢ (in constant dollars) years hence, the fact that the general fund has that \$1.00 now, but may not have the 75¢ later, is of some relevance.

Whether front-loading extends beyond the three-year period envisioned by the committee depends on the availability of funds, actual participation rates, and the projected rate of return on subsequent front-loading investments. If front-loading has succeeded in creating substantial participation, continuation would seem unnecessary, since those Alaskans already in the annuity program would be unlikely to drop out. On the other hand, if participation is low, the legislature may wish to consider inducements other than front-loading.

The committee settled on a front-loading concept weighted in favor of older Alaskans. Several other options were also considered. The first was a per-capita contribution made to each Alaskan who chose an annuity credit. Under this option, the annuity accounts of those near retirement age did not increase enough to substantially increase the "maximum possible annuity."

Thus, it did not significantly reduce long-term general fund obligations. Nor did it satisfy the goal of providing the greatest incentives to those who may need them most.

To better accomplish this goal, the committee next considered a straight \$10 incremental increase in front-loading based on age: that is, participants would receive \$10 for each year that they were older than age 17 -- up to age 65. 9/ This option produced a better result in terms of reduced general fund obligations, but it still did not increase annuity payments fast enough to be a significant incentive -- to older Alaskans in particular -- to participate in the program.

Finally, projections were run on the option embodied in the bill: persons 18-34 years old would receive a base amount of front-loading in addition to the dividend -- for example, \$50. Those over 34 would receive a percentage increase (for example, 10%) for each year of age over 34, up to age 65. Under this option, front-loading increases on a curve rather than a straight line -- increasing dramatically as an individual approaches age 65. Thus, a \$50 base with 10% per year increases results in a 34 year old receiving \$50, a 50 year old \$211, and a 64 year old approximately \$800.

The incentive to join the program, then, increases dramatically as retirement age approaches. It is this aspect

9/ Thus, an 18 year old would receive \$10, a 38 year old \$210, and a 65 year old \$480.

which is most appealing to the committee, for the following reasons:

First, older Alaskans are most in need of incentives to participate. Because initial annuity payments are small, many may be tempted to take a cash payment which is larger than the annual annuity which it will yield. Then, years later, that person will suffer materially reduced benefits because of that short-sighted decision. On the other hand, younger Alaskans need not participate in the program every year in order to build a sizeable annuity. Based upon projections available to the committee, a 47 year old (in 1986) would be required to participate every year in order to achieve the target annuity when he reaches 65 in the year 2004 -- the year the ALB program disappears. Recognizing that financial circumstances may require a cash election in some years, and that some individuals may be ineligible for a dividend in some years, the committee concluded that additional incentives are appropriate beginning at age 35 in order to help ensure that the maximum possible number of Alaskans will achieve the target annuity.

Second, while older Alaskans will receive more at the outset, the front-loading given younger Alaskans will be invested for a longer period of time. To the extent that the percentage differential is commensurate with account earnings, the eventual return to both old and young will be quite similar.

Finally, this option actually costs less in front-loading dollars than the straight line approach -- even though the now-elderly receive larger amounts.

Two additional points regarding front-loading warrant note. First, and as discussed earlier, under the committee bill those who reach age 65 before 1986 do not participate in the annuity program because they are guaranteed a full longevity bonus for life. As a result, in 1985 there will be no front-loading for any individual over the age of 64. In future years, the incremental increase in front-loading will end at age 65, and those over age 65 will receive the same amount of front-loading as a 65-year-old.

Second, the committee bill envisions that the source of front-loading funds may be the earnings of the undistributed income account of the Alaska permanent fund. In past years, permanent fund earnings have exceeded the amount necessary to pay dividends and inflation-proof the fund itself. The resulting surplus comprises the undistributed income account, which has a current balance of \$557 million. That account itself yields annual earnings which are greater than that necessary to provide front-loading, and which are available for appropriation.

The committee concluded that these earnings are an appropriate source of funds for front-loading for one obvious reason: as with the basic structure of the annuity program itself, this aspect of the bill will devote current permanent fund earnings in a manner which will substantially decrease

general fund obligations in later and perhaps leaner years. Once again, however, only earnings are involved. It must be stressed that nothing in the committee bill in any way impairs the integrity of the permanent fund itself.

2. The 3% Escalator.

Since the beginning of the ALB program in 1972, the original \$100 payment has been periodically increased to its current \$250 limit. While that increase seems large, it has, in fact, roughly kept pace with inflation. If the ALB is retained, the committee believes that it is unreasonable to assume that no increase in the ALB will ever be made. The persistent erosion in the real value of the ALB would at some point become so severe that relief would be necessary. For example, assuming a 6% inflation rate, a \$250 ALB now will be worth only \$104 in 15 years.

There are two ways of dealing with the gradual erosion of the value of the ALB. The first is to leave the problem to future legislatures. The second is the approach taken in the committee bill, which provides a modest 3% annual adjustment intended not to precisely keep pace with inflation, but rather to provide certainty in the amount of the payment.

3. Administrative Costs of the Program. The committee bill provides that the legislature may appropriate funds from the annuity account to pay the administrative costs of the annuity

program. 10/ Thus, the costs of the program will be borne by the annuity participants, whether the funds are privately placed or not.

The bill states that administrative costs will be "equitably allocated" among annuity accounts; it is the committee's intent that an equitable allocation will take into account such factors as numbers of participants, age, and relative account balances.

4. Choice of Benefits. Most annuity programs offer participants a choice of options, such as joint and survivor benefits. The primary reason for survivor benefits in employment annuity programs is that among married couples there is often only one wage earner. Survivor benefits are thus available to insure that the dependent spouse is not left without income. Since the annuity program is available to both spouses, just as is the present longevity bonus program, the committee opted for simplicity and did not include a choice of benefits. 11/

5. Setting the Amount of the Longevity Bonus Payment. Section 8 of the bill provides that the longevity bonus payment -- for those who have not reached 65 before 19⁹⁶ -- is determined by deducting from that payment the maximum possible annuity

10/ If the states chooses to place the funds with private carriers, any costs shifted to the carrier under the contract would also be paid from the annuity accounts.

11/ A death benefit for those who die prior to reaching age 65 has been included in the Senate State Affairs Committee substitute for SB 56.

available to a person who turns 65 in the year in question. The bill uses the annuity available to a 65-year-old because that annuity is the smallest available (among those who have received the maximum possible credits). A 75-year-old with the identical contribution of a 65-year-old will receive a larger annuity because his life expectancy is shorter, and his capital will be returned faster. Thus, some Alaskans will receive more than the target amount during the early years of the program, and no elderly Alaskans (with full participation) will receive less.

6. Residency Questions. The bill has no residency requirements for receipt of annuity payments. Permanent fund dividends are, of course, only available to Alaska residents -- so that an individual must be an Alaskan to contribute to an annuity account. 12/

7. Federal Income Tax Considerations. Currently, both the permanent fund dividend, and the ALB, are taxable as ordinary income under the Internal Revenue Code. The committee engaged tax counsel to determine whether the result would be any different under the committee bill. Specifically, the committee asked whether a person will be taxable on the cash he could have received as a dividend even though, under the new program, he is only credited with the right to receive a future annuity from the state. Counsel advised the committee that, because the annuity

12/ The longevity bonus program will still require that an individual be a one-year resident to receive a bonus.

program is unique, there is no legal precedent which provides a definite answer.

Based on analogous federal tax authorities, tax counsel believes that a crucial factor in determining whether or not an Alaskan receiving an annuity credit will avoid current federal income taxation is the amount with which the legislature "front-loads" the annuity credit in the year the credit is granted. If the legislature provides a substantial front-load to the annuity credit for a particular year, an Alaskan receiving a credit that year should not be subject to tax until annuity payments are actually made on retirement. However, if the legislature provides little or no front-loading in a particular year, there would be a substantial risk that those receiving annuity credits would be taxable immediately on the amount of cash they could have elected in lieu of the credit.

Tax counsel also advised the committee that available precedent does not provide firm guidance on the minimum front-load necessary to support deferred tax treatment of annuity credits. There is an example in the IRS regulations which suggest that a front-load of 25% or more of the annuity credit would be sufficient; however, tax counsel believes that a lesser amount may suffice. Because of this uncertainty, tax counsel suggests that if the committee proposal is enacted, it would be in the state's best interest to obtain an advance ruling from the Internal Revenue Service on the question.

The uncertainty surrounding the tax status of annuity credits, and the substantial risk of taxability when front-loading ends, did not weigh heavily in the committee's recommendation. This is because, at worst, Alaskans would be required to pay taxes on the amount of the dividend just as they do now. Moreover, the committee saw its job as finding an alternative to the ALB program which met the basic goals expressed in this report. It was not charged with simply finding a tax shelter.

Finally, apart from the potential taxability of a permanent fund dividend credited to an annuity account, two favorable tax aspects of the committee proposal should be mentioned:

1. All interest income credited to individual annuity accounts would, under current IRS regulations, be taxable only as it is paid out after reaching age 65; and

2. Front-loading credits would not be currently taxable.

8. Annuity Credits Are Not a Vested Right. The committee bill provides that an individual does not receive a vested or property right to an annuity payment until that payment is made. Funds must be appropriated annually by the legislature from the annuity account to make annuity payments. Although the clear legislative intent of the bill is to provide annuity payments to those who have participated in the program, the committee bill neither binds future legislatures nor creates a dedicated fund. Thus, the legislature may legally appropriate annuity funds for any public purpose. An individual's right to an annuity payment

prior to dispersal is an unfunded, unsecured promise of the state. Thus, a future annuitant is in no better legal position than any unsecured creditor of the state.

As a result, the bill is silent with regard to the garnishment of annuity credits. Prior to annuity payments, there is nothing to garnish or attach, nor anything that can properly be regarded as "income" or an "asset."

9. Protection of Alaska's Existing Elderly. As noted previously, persons who reach the age of 65 before 1986 will not be required to forego their permanent fund dividend in order to receive a \$250 per month Longevity Bonus, inflated 3% annually. The committee decided to integrate this aspect of "stair-stepping" because it concluded that many retired Alaskans have come to rely upon both the ALB and the permanent fund dividend, and -- since they are now retired -- would be unable to make adequate arrangements to mitigate the impact of an abrupt denial (or reduction) in either payment.

Under last session's House bill, those who had reached the age of 60 before 1986 would have received a full ALB for life, although the amount of that bonus would not be increased in future years. The committee considered and rejected the option of extending this protection to 60-year-olds for three reasons:

1. Assuming a retirement age of 65, those under that age will have 1-5 years to make necessary arrangements to accommodate either the loss of a cash dividend, or incremental reductions in the ALB payment. Current retirees, on the other hand, have

little or no ability to alter their financial condition. Thus, while any age group might be said to have some "expectancy" to both an ALB and a cash dividend, that "expectancy" is more immediate, and more critical, for existing retirees;

2. Exempting 60-year-olds from the ALB reduction of the committee bill would not simply postpone the inevitable financial disparity between two groups of Alaskans -- it would aggravate it. Under the House bill, the first reduction in payments would occur in 1991. Because of the growth in the "maximum possible annuity" by that time, the initial difference in monthly ALB payments between an exempt recipient, and a non-exempt recipient who did not forego his dividend, would be \$67.21 per month. Conversely, under the committee bill, differential payments will begin in 1986, and will initially be \$11.92 per month. The committee felt that if some smaller differential were felt immediately, the need to begin participation in the program now would be more apparent to non-exempt recipients. In other words, immediate "stair-stepping" may well encourage higher annuity participation, which in turn will reduce the actual differential treatment between exempt and non-exempt recipients; and

3. The ALB program cannot go on forever. Indeed, it has been a goal of the committee to develop a proposal which phases out general fund obligations near the turn of the century -- when oil revenues are predicted to dramatically decline. If the bill were to protect existing 60-year-olds, the committee projects that the state would still be making general fund ALB payments of

\$74.9 million in the year 2000, and general fund obligations would not end until the year 2029. Moreover, extending the bill's protection to 50-year-olds would cost an additional \$330 million over the life of the program. In drawing the necessary dividing line between those who can continue to receive the full benefits of existing law, and those who cannot, economic feasibility plays an appropriate role. For the reasons above-stated, the committee believes that the line is best drawn at age 65.

10. Possible Participation Rates. The committee attempted to estimate likely participation rates for the legislation's annuity program. Currently, participation rates in certain voluntary employee retirement plans exceed 50%. There are, however, differences between those plans, and the annuity program established by the committee's bill. Under most employee plans, contributed funds can be withdrawn upon termination, or in case of substantial hardship. Under the committee bill, however, no benefits can accrue until retirement. Additionally, high participation rates in employee plans are, in large part, a function of intensive educational efforts which cannot be duplicated on a statewide basis -- particularly in Alaska. Finally, participation rates for employee plans may be irrelevant in predicting participation by the jobless and very poor.

On the other hand, with front loading, matching contributions which participants receive may be, at least for older Alaskans, substantially more than typical matching payments

by employers. Additionally, under any employee plan, an employee must dedicate a portion of his or her regular monthly salary -- each dollar of which may already have been budgeted for regular family needs. The permanent fund dividend, on the other hand, is an irregular source of income which (for some Alaskans) is not a component of the regular family budget, and hence more readily disposable.

Given these differences, and the unique nature of the annuity program established by this bill, the committee does not believe that any meaningful projection, or even range of projections, can be provided.

If participation rates are very high, by the year 2003 state Old Age Assistance payments may be substantially decreased. Indeed, it is conceivable that a successful annuity program could virtually eliminate the need for old age welfare payments. For example, by the year 2010, every elderly Alaskan who has fully participated in the program will be receiving a monthly annuity of \$1,047.88.

On the other hand, if participation is very low, the state may experience increased old age assistance obligations as the residual longevity bonus phases out.

The only way to guard against future increases in OAA clientele is either to maintain the existing ALB program -- an option which the committee believes is cost-prohibitive -- or convert the ALB itself into a form of welfare. Other options studied (including stairstepping) would not simply threaten, but

inevitably lead to higher OAA obligations. The committee bill, on the other hand, offers Alaska's future elderly at least the opportunity to ultimately avoid the need for OAA assistance -- an opportunity which at least some Alaskans will accept. In other words, even with modest levels of participation, the result would be better than under "stair-stepping."

11. Impact Upon Eligibility For Old Age Assistance and Medicaid.

If an elderly Alaskan earns \$586 or less per month, he or she is eligible to receive federal Supplemental Security Income and/or state Old Age Assistance. There are currently some 2,450 elderly receiving this assistance, and the average benefit is \$240 per month.

Elderly who are eligible for OAA are also eligible for Medicaid. Medicaid benefits are accessed by almost half of the OAA recipients, and the average non-nursing home benefit is \$2,500 per year.

If an elderly Alaskan earns less than \$900 per month, he or she is eligible for nursing home benefits under Medicaid. These benefits are substantial -- averaging \$135 per day, or \$50,000 per year for each individual.

Until 1984, and by virtue of a specific exclusion in federal law, ALB payments did not count as "income" in determining eligibility for SSI or Medicaid. See 42 U.S.C. §1982a(b)(2)(B). However, when the ALB program was changed in

1984, Congress also amended the exclusion to protect only those who:

1. are 65 years of age on or before September 30, 1985; and
2. have 25 years of continuous residency in Alaska by that date.

This change in federal law has had the following effect on the SSI, OAA and Medicaid eligibility in Alaska:

1. Some 750 current recipients of OAA will experience a loss or reduction in benefits because they are now eligible to receive the ALB, but fall outside the amended federal exclusion. These individuals have not, however, suffered a net loss in cash benefits, since ALB payments have merely replaced previous OAA/SSI payments. While these individuals are the subject of discrimination, since they cannot retain both their ALB and their previous OAA/SSI benefits (as can long-time Alaskans), that discrimination is solely the product of federal law. If the state undertook to cure this discrimination by replacing lost federal SSI benefits, \$1.4 million would be required for FY 1986.

2. Some 314 of the 750 affected OAA/SSI recipients will also lose non-nursing home Medicaid coverage -- a benefit which averages \$2,500 per year. This is a substantial loss which is not compensated for by the ALB program. The amount of lost federal Medicaid benefits to these 314 individuals is only \$413,847 for FY 1986. The state could therefore compensate for these lost federal benefits at relatively small cost.

3. The most substantial impact of the recent federal law change is upon nursing home patients. 36 elderly Alaskans who are currently in nursing homes may lose their Medicaid nursing home coverage as a result of this change. To pay these individuals' nursing home costs entirely through state funds would require a \$720,000 additional appropriation in FY 1986.

The committee bill neither alleviates nor aggravates the problems associated with OAA/SSI benefit reductions, or reductions in non-nursing home Medicaid payments. Unless the legislature were to adopt a needs-based ALB program, virtually any option which the legislature might chose would leave the affected elderly in the same position as under current law. 13/

The committee proposal would, however, probably benefit existing nursing home residents. Under the bill, persons residing in a nursing home are ineligible to receive the ALB. This exclusion, the committee believes, is consistent with and furthers the intent of the ALB program. Its effect is to benefit existing nursing home residents who will lose access to the \$250 a month ALB, but at the same time will retain their eligibility for \$50,000 per year nursing home payments.

13/ Under current federal law, payments which are predicated on need are not counted as "income" for federal assistance purposes. Thus, the means test proposal discussed earlier may avoid the problems discussed in this section -- assuming that federal officials were willing to treat a \$25,000 income limit as truly differentiating the "needy" from the "non-needy."

12. Costs of Various ALB Alternatives. The committee has estimated the costs of various alternatives. Although population figures (and hence program costs) in future years are difficult to predict, several of the alternatives studied -- including the stair-stepping approach and the means test proposal -- envision general fund expenditures well into the next century. The committee felt that it was particularly important to at least estimate costs beyond the year 2000 for two reasons.

First, it has been a goal of the committee to develop a program which phases out general obligations after the turn of the century -- when oil revenues are projected to dramatically decline. Estimating post-2000 expenditures is thus particularly important.

Second, some options envision higher immediate investment in return for lower long term obligations. Others involve smaller near-term expenditures -- an attribute which is paid for in the years to come. A fair comparison, then, can only be made by looking at total expenditures over the life of each alternative.

Chart 1 indicates the costs of making continued ALB payments under four alternatives. This chart assumes that -- whatever program is chosen -- an escalation in the ALB payment will be made as the years go by. As the chart indicates, the cost of continuing the current, expanded ALB program is prohibitive. The second option, the "Annuity Program," reflects the committee bill without grandfathering Alaska's existing elderly. Under this

option, in order to receive the target amount, existing elderly would be required to forego their permanent fund dividends.

The third option -- the "Annuity Program w/1986 Stairstep" -- reflects the ALB costs of the committee bill itself. The "Stairstep" approach refers to last session's legislation, which would begin stair-stepping in FY 1991. Finally, projections on the means test proposal which assume escalation have not been run.

Assuming that the legislature provides a 3% per annum increase in the ALB payment, the ALB costs of the options considered are as follows:

Chart 1

ALB COSTS THROUGH 2034
WITH 3% ESCALATOR (in millions)

	<u>Nominal \$</u>	<u>Constant \$</u>	<u>Present Value</u> ^{14/}
Current Law	13,087	2,501	1,393
Annuity Program	964	605	496
Annuity Program w/1986 Stairstep	1,290	735	584
Stairstep	1,455	745	577
Means Test	N/A	N/A	N/A

^{14/} The term "Nominal \$" is self-explanatory. The term "Constant \$" refers to costs expressed in 1986 dollars -- assuming 6% annual inflation. The term "Present Value" refers to the amount of money which, if invested now, would endow the various options through the duration of each.

Conversely, if the legislature held the amount of the ALB constant over the years instead of providing a regulator escalator, the ALB costs of the option would be:

Chart 2

ALB COSTS THROUGH FY 2034
WITHOUT ESCALATION (in millions)

	<u>Nominal \$</u>	<u>Constant \$</u>	<u>Present Value</u>
Current Law	5,419	1,391	880
Annuity Program	619	432	369
Annuity Program w/1986 Stairstep	864	539	444
Stairstep	1,040	586	470
Means Test	3,199	945.9	634.9

In addition to the general fund costs of (1) continuing the current ALB for existing recipients, and (2) providing a gradually reduced ALB for new recipients, the committee bill envisions that individual annuity accounts will be "front loaded" with funds drawn from the earnings of the undistributed income account of the Alaska permanent fund.

Estimating the costs of "front loading" is a three step process. First, the committee assumed that the legislature would provide sufficient front loading to allow those 35 and younger to receive a \$50 base supplement, and those over 35 to receive a supplement which is increased 10% for each year of age up to 65. Second, the committee assumed that participation rates would be very low in younger Alaskans, and extremely high for those older Alaskans receiving the greatest front-loading. The cost of "front load payments" under those assumptions -- with and without

the grandfathering of existing recipients are reflected in Chart 3.

Finally, the effect of front loading is to more rapidly reduce the "target" ALB, and hence reduce general fund obligations. Thus, the net cost of any front loading must be offset by "ALB savings," which are also reflected in Chart 3:

Chart 3

EFFECT OF 3-YEAR FRONT LOADING
(in millions)

	<u>Nominal \$</u>	<u>Constant \$</u>	<u>Present Value</u>
<u>Annuity Program (3% Esc.)</u>			
Front-Load Payments	113	101	96
(ALB Savings)	(126)	(69)	(31)
Net Cost (Savings)	<u>(13)</u>	<u>32</u>	<u>65</u>
<u>Annuity Program (No Esc.)</u>			
Front-Load Payments	113	101	96
(ALB Savings)	(91)	(57)	(46)
Net Cost (Savings)	<u>22</u>	<u>44</u>	<u>50</u>
<u>Annuity & 1986 Stairstep (3% Esc.)</u>			
Front-Load Payments	79	71	67
(ALB Savings)	(82)	(41)	(31)
Net Cost (Savings)	<u>(3)</u>	<u>30</u>	<u>36</u>
<u>Annuity & 1986 Stairstep (No Esc.)</u>			
Front-Load Payments	79	71	56
(ALB Savings)	(56)	(30)	(23)
Net Cost Savings	<u>23</u>	<u>41</u>	<u>44</u>

The net costs (or savings) of front loading for any particular program can then be added (or subtracted) from the appropriate column of Charts 1-2. From that exercise, it is

apparent that front loading does not materially affect the cost ranking of any of the options considered.

Finally, under stair-stepping, those who do not reach age 65 by FY 1990 will receive no longevity bonus. Of those who are denied the bonus in the future, a portion will apply for state Old Age Assistance. As noted previously, a number of current ALB recipients are apparently eligible for OAA and Medicaid but have not applied because of the bonus. There is thus a segment of Alaska's elderly who are now eligible for OAA and Medicaid, and who might apply for benefits under those programs if the ALB were denied.

It is difficult to predict the number of elderly who would actually turn to state welfare assistance if and when the ALB program were terminated. Currently, one out of every 2.65 income-eligible ALB recipients actually applies for OAA. Under the "moderate low" scenario of Chart 4, one half of those elderly ~~apply~~ apply for OAA. Under the "moderate high" scenario, two-thirds of the eligible elderly would apply for assistance once the bonus program were terminated. Cumulative costs, 15/ in increased OAA and Medicaid benefits, through the year 2010 under these two scenarios are as follows:

15/ The cost estimates in Chart 4 should be viewed as substantially equivalent to constant 1986 dollar estimates. Although they are technically nominal dollars, they assume no increase in OAA or Medicaid benefits as the years go by. If one assumes that OAA and Medicaid benefits keep close pace with inflation, these estimates would then better reflect constant

Chart 4

INCREASED OAA/MEDICAID COSTS THROUGH 2010
(in millions)

Moderate Low

81.3

Moderate High

150.2

It is possible that increased OAA costs would also result from the committee bill. Although, under the bill, the ALB is gradually phased out, rather than abruptly terminated, those new elderly who have not participated in the annuity program may eventually find themselves in need of welfare assistance. The degree of that problem, of course, is a function of participation rates -- which are difficult to determine. However, because -- under the committee bill -- the ALB is phased out, rather than abruptly terminated, 16/ and because a portion of Alaska's population will participate in the annuity program, the committee believes that -- even with low participation rates -- the impact of the bill upon old age assistance programs is likely to be less severe than under the stairstepping approach.

Finally, the committee looked at the cost of various options after 1999. As noted previously, it has been a goal of the

dollar costs.

16/ Thus under stairstepping, a person turning 65 in 1991 would receive no ALB whatsoever. On the other hand, under the committee bill, a person turning 65 in 1991, and who has not participated in the annuity program, will still receive a longevity bonus of \$222.61 per month.

committee to develop a longevity bonus program in which general fund obligations would be minimized as oil revenues declined. Chart 5 indicates the cost of stairstepping, the means test proposal and the annuity program with and without stairstepping, which would be incurred in the 21st century:

Chart 5

COSTS INCURRED AFTER YEAR 1999
(in millions: Nominal \$)

<u>3% Escalation</u>	
Annuity Program	69.9
Annuity Program w/1986 Stairstep	285.3
Stairstep	588.3
Means Test	N/A
 <u>No Escalation</u>	
Annuity Program	0
Annuity Program w/1986 Stairstep	128.4
Stairstep	291
Means Test	2,486.2

The Benefit Concept's Proposal

The committee investigated an approach proposed by Benefit Concepts, Inc. and Kidder Peabody & Co., Inc. The proposal is essentially an investment program for endowing the longevity bonus program. That is, a substantial investment (approximately \$350 million) would be made in the initial years of the program, and the return from that investment is estimated to be sufficient

to make the declining longevity bonus payments required under the committee's annuity approach. 17/

Benefit Concepts proposes that the state invest in single premium whole life insurance policies (SPL's) taken out on Alaska's elderly. The state would be the owner and beneficiary of the policies. Benefit Concepts' projections indicate that this type of investment would be superior to other options which they believe would be appropriate for such an investment plan, such as guaranteed investment contracts (GIC's), corporate bonds or government securities.

The Benefit Concepts proposal was analyzed by the actuarial firm of Johnson & Higgins at the committee's request. That firm concluded that (1) the costs of the program may be understated when compared with data used by OMB (see footnote); (2) should the state consider "endowing" the ALB program, it should not limit its choices to the low risk alternatives considered by

17/ Subject to available funds, the state could "endow" any program by investing enough cash to produce the revenue to pay the costs of the program. Indeed, the concept of "endowment" is implicit in the "present value" calculations made by the Office of Management and Budget for the longevity bonus alternatives analyzed. Two points deserve attention. First, in order to avoid dedicated fund problems, the income from any such investment would be deposited in the general fund, and subject to annual appropriation to pay program costs. Second, the assumptions used by Benefits Concepts in making their cost estimates differ in two important respects from the assumptions used by OMB. Benefit Concepts used different population projections, and assumed a different interest environment. Both these differences understate the cost of their proposal when compared with programs using OMB estimates. The committee, therefore, cautions against direct cost comparisons.

Benefit Concepts, but should also examine other investment options; and (3) the primary advantage of the SPL approach over other low risk investments is the substantial tax advantage available to some insurance companies in providing this type of policy. These tax advantages are under scrutiny by the federal Treasury Department, and could well be eliminated through revisions to the Internal Revenue Code in the near future. It would be likely that an insurance company would insist on passing any tax changes through to the policy holder, thus removing the advantage of this type of investment.

The committee is unable to make a firm recommendation regarding this proposal to the legislature but believes that the concept may warrant further consideration by the state's financial experts.

The Alaska Pioneers' Home

On July 30, 1984, Governor Sheffield requested the committee to consider expanding its inquiry to include Alaska's Pioneers' Home Program. Because of time constraints, and the fact that the committee developed an alternative to the ALB program which has no application to the Pioneers' Home, the committee was unable to consider alternatives to this program in any depth.

The committee, however, shares Governor Sheffield's concerns over the program. Under AS 47.25.030, an individual must have resided in Alaska for 15 consecutive years, or 30 total years, in

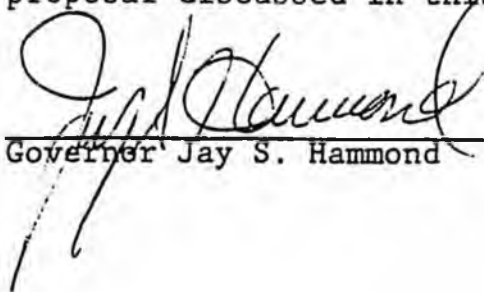
order to be eligible for admission to the homes. Plainly, that requirement raises substantial constitutional questions.

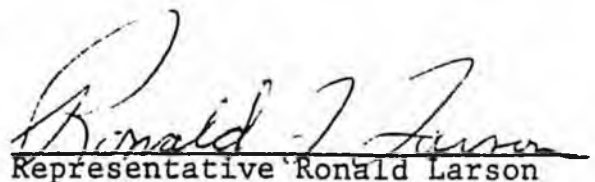
To date, no one has filed suit over the Pioneers' Home eligibility requirements. It is this committee's recommendation that the legislature develop and consider alternatives to the existing residency requirements during this session. The pressure and tension created by the Vest litigation has made it more difficult, over the past 2½ years, to develop a sound replacement for the ALB program. That experience need not, and should not be repeated for the Pioneers' Homes.

One alternative for replacing the current residency requirements warrants note. The legislature may wish to develop a point system that would determine eligibility for Pioneers' Home admission based upon the hardship that would be suffered if the applicant were forced to seek housing out of state. Location of home, family and friends would all be relevant to assessing that hardship; yet hard and fast residency rules would be avoided.

Conclusion

The undersigned members of the committee respectfully recommend that the legislature consider and enact the annuity proposal discussed in this report.


Governor Jay S. Hammond


Representative Ronald Larson

Bill Ray
Senafor Bill Ray

Olga T. Steger
Olga T. Steger

~~*J. Kerttula*~~
Senator Wilmar M. Kerttula

Robert C. Kallenberg
Robert C. Kallenberg

JAN 12 1985

IN THE _____

BY _____

_____ BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the longevity bonus program and the permanent fund dividend program in order to establish an annuity program; and providing for an effective date."

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

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

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

(2) it is appropriate that individuals save for their own retirement, and it is also appropriate that the state establish both means and incentives for Alaska residents to set aside retirement funds. Accordingly, it is a purpose of this legislation to create an annuity program, and to encourage Alaskans to participate in that program by authorizing general fund supplements which would result in annuity payments which are larger than an individual could earn through private investment of the permanent fund dividend;

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

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

(5) neither the longevity bonus program, nor the annuity program, should be viewed as a form of welfare. Other state and federal programs are available to meet the basic necessities of life, and amounts received by any individual under this Act are not calculated on the basis of need.

* Sec. 2. AS 43.23.005 is amended to read:

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

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

(d) A person who is eligible to receive a permanent fund dividend under this section, or who is authorized to claim a dividend on behalf of another under (c) of this section, may elect to receive cash in lieu of an annuity share. Alternatively, a person may elect to receive not less than 25 percent of his dividend in cash and the remainder as an annuity credit. A person exempt under AS 47.45.015(b) will automatically receive cash without the necessity of election.

* Sec. 4. AS 43.23.015 is amended to read:

Sec. 43.23.015. APPLICATION AND PROOF OF ELIGIBILITY. (a) The commissioner shall adopt regulations under the Administrative Procedure Act (AS 44.62) establishing the process for determining the eligibility of individuals for permanent fund dividends. The

commissioner may require an individual to provide proof of eligibility, and the commissioner may use other information available from other state departments or agencies to determine the eligibility of an individual.

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

I certify that

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

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

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

(signature of individual,
parent, guardian, or other
authorized representative)

(c) Except as provided in (d) of this section or as may be provided by regulations adopted by the department, an individual must personally sign the application for permanent fund dividends,

including the certification of residency required under (b) of this section.

(d) The application and certification of residency of an unemancipated individual under 18 years of age or of an incompetent individual must be signed by the individual's parent, legal guardian, or other authorized representative.

(e) If a public agency claims a cash [PERMANENT FUND] dividend on behalf of an individual under (i) of this section, the public agency shall hold the dividend in trust for the individual. Money held in trust under this subsection shall be invested by the commissioner in accordance with AS 37.10.070.

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

(g) If an individual is aggrieved by a decision of the department determining the individual's eligibility for a permanent fund dividend or the individual's authority to claim a permanent fund dividend on behalf of another, the individual may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal under this section does not entitle the aggrieved individual to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken and the scope of the appeal is limited to matters contained in the record of the administrative proceeding.

(h) The penalty and enforcement provisions of AS 43.23.035 apply to an individual who claims a permanent fund dividend on behalf of another.

(i) The permanent fund dividend application form shall be prepared to allow an applicant, other than a person exempt under AS 47.45.015(b), to elect to receive cash in lieu of a permanent fund dividend.

* Sec. 5. AS 43.23.035 is amended to read:

Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to any criminal penalties imposed by state law, if an individual is convicted of a crime in connection with a false statement made in a certification required under AS 43.23.015, and the conviction is not reversed, that individual forfeits all permanent fund dividends credited or paid, together with any additional credits to his annuity account and is not eligible for a future permanent fund dividend.

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

(c) If the commissioner determines that a permanent fund dividend should not have been credited to an individual's annuity account, the commissioner may after notice and opportunity for hearing, direct the commissioner of administration to debit the individual's annuity account for the amount wrongly credited. If the

credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debit must be made within three years.

* Sec. 6. AS 43.23.055 is amended to read:

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

(1) annually [PAY PERMANENT FUND DIVIDENDS FROM THE DIVIDEND FUND] make payments to exempt individuals under AS 47.45.015(b) and those who elect cash under AS 43.23.005(d);

(2) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a permanent fund dividend or for making election under AS 43.23.005(d); the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is determined by October 1 of the year for which the dividend is declared and permanent fund dividends for a year are paid before April 30 of the year following the year;

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

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

(5) provide the commissioner of administration with information necessary to maintain individual annuity account records and administer the annuity program.

* Sec. 7. AS 43.23.065 is amended to read:

Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. (a) Fifty percent of a cash payment received under AS 43.23.005(d) [THE ANNUAL PERMANENT FUND DIVIDEND PAYABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment, attachment, or any other remedy for the collection of debt. This exemption applies to an eligible individual's permanent fund dividend both before and after payment is made to the individual. An exemption is not available under this section for cash payments [PERMANENT FUND DIVIDENDS] taken to satisfy (1) child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 -- 47.23.220; (2) a debt owed by an eligible individual to an agency of the state, unless the debt is contested and an appeal is pending, or the time limit for filing an appeal has not expired, or (3) court ordered restitution under AS 12.55.045 -- 12.55.051 or AS 12.55.100. A child support obligation under (1) of this section has priority over a debt owed to an agency of the state, and a permanent fund dividend may not be taken to satisfy a debt under (2) of this section until any portion of the dividend necessary to satisfy a child support obligation has been taken.

(b) When an individual owes a past due debt described in (a)(1) of this section, the department shall require that the individual take his or her permanent fund dividend in cash.

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

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

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

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

(c) An individual who is denied assistance solely because permanent fund dividends credited to or received by the individual or by a member of the individual's household are counted as income or resources under federal law or regulation is eligible for cash assistance under the general relief assistance program (AS 47.25.120 -- 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have

received under other public assistance programs had there been no permanent fund dividend program.

* Sec. 9. AS 37 is amended by adding a new chapter to read:

CHAPTER 16: ANNUITY PROGRAM

Sec. 37.16.010. ANNUITY INVESTMENT FUND. (a) The annuity investment fund is established as a separate fund in the state treasury. Notwithstanding the provisions of AS 37.13.145, an amount equal to the permanent fund dividends taken as annuity credits under AS 43.23 shall be annually transferred from the dividend fund to the annuity investment fund.

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

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

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

(3) The credit for persons over the age of 35 is the base amount, increased for each year of age over 35 up to and including the age of 65. The incremental increase for each year of age is a percentage over the credit for the prior year of age. That percentage shall be established with due regard for historical and projected permanent fund returns on investment;

(4) If a person elects to receive a portion of his dividend in cash under AS 43.23.005(d), the allocation to which he is otherwise entitled will be proportionately reduced.

(c) Money in the annuity investment fund shall be invested by the commissioner of revenue in investments authorized under AS 39.35.110. The commissioner of administration shall credit individual annuity accounts with earnings at a rate equal to the rate of interest earned by the annuity investment fund.

(d) The legislature may annually appropriate to the Department of Administration an amount sufficient to pay monthly annuity payments for the subsequent fiscal year under AS 37.16.030 from the annuity investment fund. Funds appropriated under this subsection shall be transferred from the annuity investment fund to the Department of Administration in order to meet the current demands of the annuity program.

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

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

Sec. 37.16.020. ANNUITY PROGRAM. (a) The annuity program is administered by the commissioner of administration. The commissioner of administration shall adopt regulations necessary to implement the annuity program.

(b) The commissioner of administration shall maintain records of individual annuity accounts and make annuity payments under AS 37.16.030.

Sec. 37.16.030. PAYMENT OF ANNUITIES. (a) An individual with one or more annuity credits may receive an annuity upon reaching the age of 65.

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

(c) An individual need not be a resident of the state to be eligible to receive an annuity payment from his or her account.

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

(e) If a person dies prior to age 65, his account shall be equitably distributed among the annuity accounts of all individuals of the same age.

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

* Sec. 10. AS 43.23.095(6) is repealed and re-enacted to read:

(6) "permanent fund dividend" means a credit to an annuity account under AS 37.16, unless the individual is either exempt under AS 47.45.015(b) or elects cash under AS 47.23.005(d);

* Sec. 11. AS 47.45.010(a) is amended to read:

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

make application; confinement outside the state shall be considered as residence in the state if a person was convicted and sentenced from a court in Alaska; revocation of parole or probation shall be cause for immediate disqualification until release from confinement is again effected;

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

* Sec. 14. Section 1J, ch. 38, SLA 1984 is amended to read:

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

* Sec. 15. AS 43.23.045(c) is repealed.

* Sec. 16. This Act applies only to permanent fund dividends for years beginning after December 31, 1985.

* Sec. 17. This Act takes effect January 1, 1986.

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

* Sec. 12. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.015. AMOUNT OF BONUS. (a) Subject to (b) of this section, the monthly longevity bonus is equal to \$250, increased by three percent each year beginning in fiscal year 1987, minus the maximum possible annuity for a person 65 years of age under the annuity program (AS 43.23.110 -- 43.23.120), as determined by the commissioner of administration.

(b) A person who is 65 years of age or over prior to January 1, 1986 is exempt from the annuity program reduction established in (a) of this section.

* Sec. 13. AS 47.45.070 is amended to read:

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

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

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

(3) is otherwise qualified but confined in a penal or correctional institution or facility; upon completion of sentence or upon the conferral of a pardon, parole or probation, the person may

REPORT OF THE MINORITY MEMBERS OF THE GOVERNOR'S LONGEVITY
BONUS TASK FORCE TO THE FOURTEENTH ALASKA STATE
LEGISLATURE AND GOVERNOR BILL SHEFFIELD

February 1, 1985

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I. INTRODUCTION

The purpose of this report is to provide a broad view of the issues involved in resolving the future of the longevity bonus program. Each of the options discussed before the committee has both its merits and drawbacks. The minority members of the task force believe a more complete discussion of the various proposals is necessary so that policy makers can decide which of the options is the best one for the State.

The options covered in this report are the annuity proposal, the means test proposal, the stairstepping proposal, and maintaining the current program.

II. PHILOSOPHICAL DIFFERENCES

Each of the options considered represents a significantly different philosophy about the future of the program.

The philosophy underlying the annuity proposal is that the current bonus program should be replaced with a retirement program for all of the state's citizens. The majority report states, "[t]he Committee believes that there is a need for future State participation in the building of retirement security ..." The annuity proposal presumes that individuals need encouragement from the State to prepare for their final years, even though a majority of Alaskans save for their retirement through private sector investments and employer retirement programs.

The annuity proposal also assumes that there is still a need to provide cash assistance to elders regardless of their length of residency. And finally, this proposal would require Alaskans to choose between the alleged short term benefits of the permanent fund dividend program and the supposed long term benefits of the annuity program.

In contrast, stairstepping emphasizes three facts: (1) the original program was always intended to end if the courts ever declared it to be unconstitutional; (2) there are a large number of older Alaskans who have counted the bonus into their retirement plans, despite its constitutional status; and (3) the State faces a declining revenue picture.

Stairstepping takes care of the needs of Alaska's elders at the expense of the needs of younger Alaskans. The proposal also assumes that younger individuals will provide for their own retirement security through the private sector or will be eligible for public assistance. Further, fiscal reality is faced by phasing out the program (and the general fund cost) entirely, not shifting the general fund cost to another funding source. And finally, stairstepping does not

take need into account because many Alaskan elders reject need as a criteria for receipt of a bonus.

The philosophy behind the means test proposal can be contrasted with both the annuity and stairstepping proposals. It assumes the longevity bonus program should continue, but provides a larger benefit to those who need it the most. In other words, even though we cannot afford to continue the current program at its present cost forever, poorer individuals need a larger bonus payment. Also, the means test proposal is crafted to mesh with federal entitlement programs so the State can provide more benefits for the poor overall with less State cash.

The last option, maintaining the current program, assumes that the bonus should continue in its present form because all Alaskans rely on it, regardless of whom it was originally intended to benefit. Also, it emphasizes the importance of the bonus and its priority for State funding in spite of declining revenues and competition with other statewide needs.

III. ANNUITY PROPOSAL

Although the committee majority favors the annuity, there are certain aspects of the proposal that the majority report does not discuss.

A. Summary

The annuity proposal has three basic features: (1) Continuing the bonus program for all persons age 65 by 1986, and paying these persons a benefit level of \$250 per month, plus 3 percent cost of living increase, for life. (2) Phasing out the bonus program for every one under 65 in 1986, and paying these persons an ever reducing benefit level until sometime in the early part of the next Century. (3) Creating a State supplemental retirement program for those under 65 by 1986 who choose to invest their permanent fund dividends in it.

B. Front-loading

The annuity bill allows the Legislature to increase the monthly annuity amount by subsidizing or "front-loading" the account with annual appropriations.

The purpose of front-loading is to increase the amount of the monthly annuity check and to provide a tax shelter for those who invest their dividends in the program. Both of these aspects are considered necessary inducements to increase participation in the program.

Though the cost of front-loading depends on the number of people who participate in the program, the task force majority estimates that at least \$79 million will be required in the first three years, in addition to the funding necessary to continue the phase out bonus program. Since the revenue picture is a clear obstacle to getting this funding from the general fund, the majority proposes that front-loading dollars come from the permanent fund reserve account. We do not support use of the reserve account to pay for the annuity program, since the appropriate uses of the account are already spelled out in statute.

It is also likely that front-loading will be necessary far beyond 1989. Tax counsel has advised the committee that tax shelters will only be available in the years in which the program is front-loaded.

It also seems likely that once the subsidizing begins, it will be difficult to end. This appears especially true if short term front-loading increases the annuity checks of elder Alaskans more than those of younger Alaskans, as the majority report indicates.

It is also possible that the Legislature could decide not to front-load the program at all.

The amount of the bonus each year is tied to the maximum annuity of a 65 year old. Since the maximum annuity will be smaller if it is not subsidized, the general fund cost of the phase out bonus program would be more than the majority report indicates.

C. 3% Escalator

The bonus and the cost of the program itself are increased dramatically by a 3% annual escalator. If this is really intended to be an automatic cost of living increase, it should be tied to some acknowledged COLA indicator. In the past, the bonus amount has been increased for valid economic reasons, not automatically.

D. Participation

The more Alaskans that participate in the annuity program, the more likely it is to succeed. We are skeptical, however, about the ability of the program to achieve a high and continuous rate of participation.

According to the Governor's Office of Management and Budget, 40% of current bonus recipients have annual incomes of less than \$10,000. According to the IRS, only 2% of taxpayers within this income category buy

IRAs even though it is to their advantage to do so. The statistics on deferred compensation plans are similar. Generally, people without spare cash do not put off receiving income because they cannot afford to. Under this proposal, bonus checks will be reduced each year, yet individuals will have to give up their permanent fund dividends in order to make up the difference.

By grandfathering in current ALB recipients, the bill does protect the current income of today's elders who are at least 65. But what about everyone else? According to the Permanent Fund Corporation's recent report on the dividend program, about 18% of adult recipients making less than \$26,000 annually used their 1982 dividend to reduce debt and another 22% used it to help with regular expenses. Clearly, these individuals are using their dividends to meet basic needs.

The annuity proposal asks the Alaskans who can least afford it to make a very difficult choice -- either they take the cash now to meet basic needs or they skimp on basic needs and defer their dividend for a promise of a future payment. And they have to trust that the program will still be in existence, and that they will live to 65.

Even those Alaskans who can afford the program may be reluctant to participate. Consider the following facts:

1. The tax deferrable status is uncertain even with front-loading because the IRS has not yet ruled on it. If this program is not considered a shelter by the IRS, there are many other tax shelters available in the private sector.
2. There are no survivor benefits. No matter how long you defer your dividend, if you die, your account is split up amongst all the other accounts in your age category. None of your heirs, nor your estate, have a right to any part of the balance in the account.
3. An individual can never liquidate or transfer his annuity account if he decides to change investment strategy. In other words, the money goes in, you cannot take it out.
4. Even if you live to 65, there is still no assurance that you will get any or all of your annuity. Because there is no vested property right, the State could either end the program.

at any time without owing you any money or could pay you less than you originally invested.

E. Legality of the Proposal

In general, this proposal appears to be constitutional-ly sound. It should be noted, however, that the grandfathering of current bonus recipients would create a protected class of persons. Any law that establishes such a classification is subject to an equal protection challenge. However, it seems unlikely that such a challenge would succeed, since the classification is a rational one that furthers a legitimate public purpose. Please refer to the discussion in section IV - E for further information.

F. Conclusion

The question for policy makers is whether this particular annuity proposal makes good economic sense on both a State and a personal level.

IV. STAIRSTEPPING PROPOSAL

A. Summary

The stairstepping proposal continues the current program for five years and then begins to phase out the program by increasing the age of eligibility by one year, each year beginning in July, 1991. In effect, any one who is 60 or older by July of 1985 would qualify for a \$250 monthly bonus from age 65 until death.

B. Impact on Younger Alaskans

The proponents of stairstepping do not dispute the fact that the proposal protects today's elders, but does not protect those who will turn 60 after July of 1985. In fact, its purpose is to ensure that those who have counted on the bonus for their retirement years receive it throughout the rest of their lives. Since we do face a gloomy revenue picture, backers of this proposal believe the only affordable method of protecting the bonus for current elders is to discontinue the program for everyone else.

This should not be interpreted as a lack of concern for the retirement years of individuals under age 60. Instead, it reflects a philosophy of truly "substituting private thrift for public largesse", the alleged theme of the annuity proposal. It reflects a belief that there are plenty of savings options

available in the private sector for those individuals who are in a position to defer cash until some future time. Further, it reflects the belief that the annual permanent fund dividend can be used for this purpose now and that establishing a State annuity program to encourage saving the dividend for retirement is unnecessary.

Finally, it is important to reiterate that the original bonus program was intended to self-destruct if it was ever declared unconstitutional. The stairstepping proposal accomplishes this task while minimizing the harm which would otherwise occur.

C. Why Protection for 60 Year Olds Instead of 65 Year Olds

The group of Alaskans who do count on the bonus extends beyond those who are currently eligible to those who are about to become eligible. In general, it is accurate to state that the older and poorer an individual is, the more that individual needs both the bonus and the dividend.

It is true that any age cut off is arbitrary. The reason that age 60 has been chosen, however, is that those who are within five years of retirement are most in need of the bonus. Also, five years appears to be adequate to allow Alaskans in their 50s to prepare for a retirement without the bonus. At the very least, it gives these Alaskans plenty of notice that they can no longer expect to receive a bonus.

It should be noted that if the method of stairstepping is changed, the bonus of more Alaskans will be protected. For example, instead of waiting five years and then stairstepping one year each year, stairstepping could begin immediately but occur every other year. This would allow a much larger group of Alaskans to receive a bonus, but receipt would begin at a more advanced age.

D. Legality of the Proposal

Stairstepping creates two classes of people: those who receive bonuses and those who do not. Any law that establishes classifications is subject to an equal protection challenge under both the Federal and State constitutions. A challenge will not succeed, however, if the classifications embodied in the law are rational, and further legitimate governmental purposes. They do not need to meet the test of furthering a compelling State interest, as other laws do.

The stairstepping approach would not affect any constitutional right beyond general equal protection. It would provide benefits to newcomers who met the one year age requirement, and thus would not thwart the right to travel.

Stairstepping embodies a balance between recognition that our elders need the bonus on the one hand, and a perception that the State cannot continue to fund an ever expanding program indefinitely. In a recent case, the Alaska Supreme Court reaffirmed that the recognition of "grandfather right" and "hardship" are legitimate goals of the limited entry law under equal protection analysis. Kalmakoff v. State, Op. No. 2900 (January 11, 1985). It appears that court would find it legitimate for the Legislature to "grandfather" those who are presently receiving the bonus or expecting to receive it in the near future, since those individuals would suffer the most hardship if the program were suddenly ended. Individuals younger than 60 at the date of enactment would have considerable notice that the program would not be available to them at retirement, and would have some wage-earning years to adjust their expectations. Also, the State's revenue expectations are certainly a legitimate element in deciding what program should be enacted.

In sum, it appears that stairstepping is constitutional and would withstand any legal challenge.

E. Conclusion

Stairstepping continues to be a valid method of dealing with the current longevity bonus crisis. Though not all Alaskans would benefit from it, it is a fair, rational approach to a problem that does not have any easy solutions.

V. MEANS TEST PROPOSAL

A. Summary

Under the means test proposal, an individual age 65 or over may apply for a bonus of \$250 a month if his or her adjusted gross income was less than \$25,000 for the year prior to application. An individual who does not meet the income requirement, or who chooses not to apply for \$250, is eligible for a bonus of \$100 per month.

The \$25,000 income cap will allow 80% of Alaskan elders to continue to receive the \$250 monthly bonus. At the same time, the proposal would reduce payments to those elderly Alaskans for whom a monthly bonus is not a

financial incentive to remain in the State. These wealthier individuals will continue to be honored with a smaller monthly bonus that can be viewed as a psychological incentive to remain in Alaska.

B. Reasons for a Means Test Program

Many elder Alaskans have vehemently opposed creation of a "welfare" bonus program. These individuals feel that the bonus was originally intended to reward them for their contributions to Alaska and that it never was intended to be a form of public assistance. Indeed, some of these elders appear to prefer no future for the bonus program at all if that future is based on need.

Why then should the Legislature seriously consider a means test proposal? One important reason is the federal government's position on the impact of future bonus income on public assistance. Since federal officials insist that the \$250 bonus be counted when determining public assistance eligibility for some Alaskan elders, this proposal represents a direct method of cancelling the affect of the federal action. It would eliminate the loss of Federal Supplemental Security Income and Old Age Assistance for 750 Alaskans and non-nursing home medicaid benefits for 314 Alaskans.

Also, federal officials have indicated that they will be flexible in determining whether a program meets their definition of need. Though this proposal still allows 80% of current recipients to continue to get \$250 a month, federal officials believe it will fall within their definition.

The proponents of this proposal are not insensitive to the wishes of those elders who are opposed to any needs based program. Rather, they have attempted to craft a proposal that does alleviate the federal concern as well as the concern of these elders. Actually, this proposal would not implement a "welfare" program. It is only a needs based one in the sense that it does draw distinctions among elders based on income. But it is not a "welfare" program because it is not only for the very poor. All elders get a bonus and most elders get the same bonus; only the wealthiest 20% get less than the others.

Moreover, there are many elders who do not share the strong feelings about a potential "welfare" stigma. These individuals are not always the most vocal, but they are still important. This proposal emphasizes their importance and points out another method of dealing with the state's fiscal reality by giving a

larger bonus to those who need it the most.

C. Legality of the Proposal

The largest legal question posed by this proposal is whether the one year residency requirement would be valid for the \$250 bonus since its receipt would be based on a person's income. The United States Supreme Court has held that a one year residency requirement infringes on the federally protected right to travel when used in a program which provides the "basic necessities of life." Thus, in Shapiro v. Thompson, 394 U.S.618 (1969), the court struck down a one year residency requirement for welfare assistance.

But every government program does not provide for "basic necessities of life." For example, in Hawaii Boating Association v. Water Transportation Facilities, 651 F.2d 661 (9th Cir. 1981), the court found that a one year residency requirement for reduced rates for boat moorage did not impair the right to travel, since the benefit involved was not significant.

While the courts have ruled that some programs clearly fall within the "basic necessities" definition (such as welfare, hospitalization, and federal low rent housing) and some programs are clearly outside of that definition (such as moorage fees, practicing law without taking a bar exam, running for city council and COLAs in workers compensation benefits), there is no precise dividing line. A strong argument could be made that this proposal does not provide a "basic necessity" and that the one year requirement is valid.

First, the State has other programs such as old age assistance and medicaid which are available to new Alaskans to provide basic necessities.

Second, the income cap requirement is not typical of a test for welfare eligibility. A welfare program test looks at a person's total assets (i.e., value of their home, boats, cars, etc.), but this proposal only looks at a person's adjusted gross income. The income cap provisions are more properly viewed as a retirement supplement to all but the most wealthy, rather than as a program to fulfill basic needs.

Finally, the purpose of the one year requirement would be to determine, without too much administrative burden, which elders are bona-fide Alaskans as opposed to mere visitors. Like students, older Alaskans tend to travel for extended periods. So long as seniors are not denied basic necessities such as medical care and funds for food and shelter if they are destitute, we

believe the one year requirement would withstand a challenge. The two year residency requirement for student loans was recently upheld for similar reasons.

D. Conclusion

This proposal is valid because it addresses the federal support of the public assistance question and because it favors those Alaskans who need the bonus the most. As such, it should be the subject of serious legislative consideration, even though some seniors have reservations about it.

VI. STATUS QUO PROPOSAL

A. Summary

This proposal would continue the present program -- \$250 monthly bonus to all one year residents at least 65 years old -- indefinitely.

B. The Bonus as a Priority for State Funding

This proposal asserts that the bonus in its present form is a major priority and should be continued for all Alaskans despite the high cost. If our revenues were not dwindling at an everincreasing pace, we would look more favorably on this proposal. We fear, however, that other statewide needs such as roads, water and sewer, education, and health care will suffer if the bonus program continues in its present form. There are simply not enough oil dollars to meet all our needs. Many other State programs reward and assist elder Alaskans. We hope to continue funding these programs as well as a less expensive bonus program.

C. Continuing the Status Quo in FY 86

Although we are uncomfortable with the notion of continuing the program in its present form forever, we feel strongly that if the Legislature and the Governor cannot reach agreement on any other proposals during this session, the current bonus program should be extended for another year. We do not prefer this approach, but we do not want to end the program altogether if 120 days is not enough time to reach consensus on this important issue.

VII. The Immediate Impact on Public Assistance Eligibility

A. How to Protect the Bonus Income of Public Assistance Recipients

Federal and State law treat the longevity bonus payment

in a manner that results in a devastating form of "legal" discrimination for many senior citizens on public assistance. These laws require the senior citizen to apply for the longevity bonus. Then, these same laws reduce or eliminate the amount of public assistance payments, dollar for dollar. The senior citizens on public assistance, unlike the middle and high income seniors who receive the longevity bonus on top of all other income, realize no material gain in their income from receipt of the longevity bonus. Additionally, many of the seniors also lose their entitlement to public assistance medical benefits that the longevity bonus payment does not replace. The poorest of our seniors -- those who need the bonus the most -- are actually harmed by the Alaska longevity bonus.

This "catch 22" affects all seniors who fall into either of two categories:

1. Seniors who reached the age of 65 during 1984 through September 30, 1985, and who did not meet the unconstitutional residency requirements.
2. Seniors who reach the age of 65 after September 30, 1985, irrespective of their residency. This category would include all seniors who would have met the unconstitutional residency requirements.

The effect of this "catch 22" is that the federal government saves federal funds and Alaska's longevity bonus program becomes a cash benefit program for the middle and upper classes of seniors who need the money far less than the poor.

There are only two ways to extend the benefits of the longevity bonus program to our low income senior citizens:

1. create a means test longevity bonus program, or
2. create a "hold-harmless" provision in State public assistance statutes to ensure that the State makes up the difference in federal benefits lost and continues to pay State public assistance to individuals effected by the "catch 22."

The cost to the State would be:

HOLD-HARMLESS COSTS - FY86

	<u>Already Budgeted</u>	<u>Required Fiscal Note</u>
Federal (SSI) Payment	0	1,400,000
State (OAA) Payment	760,000	0
Non-nursing Home Medical	0	413,847
	<u>760,000</u>	<u>1,813,847</u>

If the Nursing Home Exclusion Amendment (see "B", page 13) is not adopted, then the hold-harmless fiscal note should be increased by \$514,982 for FY86.

STATUTE CHANGES

One Statute change would be needed to hold recipients harmless under all currently proposed longevity bonus programs:

Amend Article 4, AS 47.25.430f, to provide that

- (1) The Department must increase the amount of an individual's Adult Public Assistance payment by the amount of any reduction in assistance provided under Title XVI of the Social Security Act which occurs solely because of considering payments made under AS 47.45 as available income; and
- (2) Notwithstanding AS 47.25.435, in determining eligibility for Adult Public Assistance and the amount of Adult Public Assistance payment, the Department will not consider any payment made under AS 47.45 as income available to the applicant or recipient.

Note: Regardless of which longevity bonus proposal is enacted, the hold-harmless provisions above must have an effective date of July 1, 1985. If the means test proposal is enacted, these hold-harmless provisions should sunset on the effective date of the new act to protect funding level of adult public assistance programs.

B. Exclusion of Individuals in Nursing Homes from Eligibility for the Bonus

The bonus can preclude a poor elder from receiving Medicaid assistance while in a nursing home even though it does not offset the cost of care in the nursing home (approximately \$4000/month). Also, the federal government requires that the individual apply for the bonus to get Medicaid. While the State could hold

these individuals harmless at a cost of \$514,982 (General Fund), the Legislature could make nursing home residents ineligible for a bonus.

It should be emphasized that this suggestion is not intended to harm nursing home residents or to judge their worthiness for receipt of a bonus. Rather, it is intended to protect such elders from the exorbitant cost of nursing home care. Irrespective of personal income before entering a nursing home, 97% of Alaskans in nursing homes in the state eventually turn to Medicaid to pay their bills.

VIII. COST INFORMATION

A. Long Term Costs

The following chart compares the cost of the four proposals in nominal dollars through fiscal year 2034. The chart shows that the general fund costs of both the annuity and stairstepping proposals eventually disappear whereas the means test and status quo proposals continue to need general funds. For the next 50 years, the total costs are as follows:

Annuity proposal	\$1.29 billion
Stairstepping proposal	\$1.13 billion
Means test proposal	\$3.20 billion
Status Quo	\$5.42 billion

The present value (the amount of funding necessary to endow the program today) of the cost of these proposals is:

Annuity proposal	\$620.02 million
Stairstepping proposal	\$496.88 million
Means test proposal	\$634.9 million
Status Quo proposal	\$879.78 million

B. Population Forecast

The cost chart is based on a forecast of Alaska's elderly population. This forecast may overstate the number of people who will actually participate in any of the proposed programs, at least in the near term. For example, the population forecast predicts 16,744 eligibles for FY 86, yet only 14,547 elders are currently receiving a bonus. Also, after 2010, the forecast assumes that the elder population remains constant, which does not account for death, migration, etc.

If the population projections do turn out to be too high, then the cost estimates are also too high.

COMPARISON OF ALB ALTERNATIVES

FISCAL YEAR	-----MONTHLY PAYMENTS-----					-----POPULATIONS-----				-----ANNUAL COSTS----- (millions)			
	--MEANS TEST BILL--		-----ANNUITY BILL-----			65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	ANNUITY BILL*	STAIRSTEP BILL**	CURRENT LAW	MEANS TEST BILL
	MEANS TEST ALB	UNIVERSAL ALB	ALB TO PERSONS 65 BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB								
1986	\$250.00	\$100.00	\$250.00	\$11.92	\$238.08	16,744	15,039	1,705	16,744	\$75.2	\$50.2	\$50.2	\$50.2
1907	\$250.00	\$100.00	\$257.50	\$24.86	\$232.64	17,768	14,349	3,419	17,768	\$80.4	\$53.3	\$53.3	\$46.7
1988	\$250.00	\$100.00	\$265.23	\$39.05	\$226.18	18,769	13,660	5,109	18,769	\$85.0	\$56.3	\$56.3	\$48.6
1989	\$250.00	\$100.00	\$273.18	\$46.94	\$226.24	19,828	12,974	6,854	19,828	\$61.1	\$59.5	\$59.5	\$50.6
1990	\$250.00	\$100.00	\$281.38	\$56.27	\$225.11	20,913	12,293	8,620	20,913	\$64.8	\$62.7	\$62.7	\$52.4
1991	\$250.00	\$100.00	\$289.82	\$67.21	\$222.61	21,908	11,616	10,292	21,908	\$67.9	\$65.7	\$65.7	\$54.0
1992	\$250.00	\$100.00	\$298.51	\$79.93	\$218.58	22,849	10,943	11,906	22,849	\$70.4	\$62.5	\$62.5	\$55.3
1993	\$250.00	\$100.00	\$307.47	\$94.67	\$212.80	23,861	10,273	13,588	19,890	\$72.6	\$59.7	\$71.6	\$56.6
1994	\$250.00	\$100.00	\$316.69	\$111.73	\$204.96	24,799	9,606	15,193	18,823	\$73.9	\$56.5	\$74.4	\$57.7
1995	\$250.00	\$100.00	\$326.19	\$131.53	\$194.66	25,891	8,945	16,946	17,948	\$74.6	\$53.8	\$77.7	\$59.8
1996	\$250.00	\$100.00	\$335.98	\$154.20	\$181.78	26,863	8,291	18,572	16,873	\$73.9	\$56.6	\$80.6	\$59.9
1997	\$250.00	\$100.00	\$346.06	\$180.13	\$165.93	27,692	7,644	20,048	15,819	\$71.7	\$47.5	\$83.1	\$60.5
1998	\$250.00	\$100.00	\$356.44	\$209.76	\$146.68	28,657	7,012	21,645	14,934	\$68.1	\$44.8	\$86.0	\$61.3
1999	\$250.00	\$100.00	\$367.13	\$243.52	\$123.61	29,556	6,396	23,160	13,969	\$62.5	\$41.9	\$88.7	\$61.8
2000	\$250.00	\$100.00	\$378.15	\$281.92	\$96.23	30,511	5,799	24,712	13,031	\$54.9	\$39.1	\$91.5	\$62.5
2001	\$250.00	\$100.00	\$389.49	\$325.34	\$64.15	31,459	5,225	26,234	12,090	\$44.6	\$36.3	\$94.4	\$63.2
2002	\$250.00	\$100.00	\$401.18	\$374.26	\$26.92	32,440	4,676	27,764	11,193	\$31.5	\$33.6	\$97.3	\$64.0
2003	\$250.00	\$100.00	\$413.21	\$429.25	-0-	33,448	4,156	-	10,306	\$20.6	\$30.9	\$100.3	\$64.7
2004	\$250.00	\$100.00	\$425.61	\$490.97	-0-	34,483	3,666	-	9,438	\$18.7	\$28.3	\$103.4	\$65.4
2005	\$250.00	\$100.00	\$438.38	\$560.18	-0-	35,721	3,210	-	8,639	\$16.9	\$25.9	\$107.2	\$66.7
2006	\$250.00	\$100.00	\$451.53	\$637.63	-0-	37,130	2,788	-	7,850	\$15.1	\$23.5	\$111.4	\$68.3
2007	\$250.00	\$100.00	\$465.07	\$721.15	-0-	38,489	2,402	-	7,043	\$13.4	\$21.1	\$115.5	\$69.7
2008	\$250.00	\$100.00	\$479.03	\$820.68	-0-	40,309	2,050	-	6,359	\$11.8	\$19.1	\$120.9	\$71.9
2009	\$250.00	\$100.00	\$493.40	\$928.22	-0-	42,194	1,778	-	5,640	\$10.5	\$16.9	\$126.6	\$74.0
2010	\$250.00	\$100.00	\$508.20	\$1,047.88	-0-	44,012	1,449	-	4,950	\$8.8	\$14.9	\$132.0	\$76.1
2011	\$250.00	\$100.00	\$523.44	-	-	45,000	1,213	-	4,243	\$7.6	\$12.7	\$135.0	\$76.7
2012	\$250.00	\$100.00	\$539.15	-	-	45,000	1,003	-	3,669	\$6.5	\$11.0	\$135.0	\$75.6
2013	\$250.00	\$100.00	\$555.32	-	-	45,000	819	-	3,161	\$5.5	\$9.5	\$135.0	\$74.5
2014	\$250.00	\$100.00	\$571.98	-	-	45,000	658	-	2,698	\$4.5	\$8.1	\$135.0	\$73.5
2015	\$250.00	\$100.00	\$589.14	-	-	45,000	521	-	2,340	\$3.7	\$7.0	\$135.0	\$72.4
2016	\$250.00	\$100.00	\$606.82	-	-	45,000	405	-	1,907	\$2.9	\$5.7	\$135.0	\$71.3
2017	\$250.00	\$100.00	\$625.02	-	-	45,000	309	-	1,596	\$2.3	\$4.8	\$135.0	\$71.0
2018	\$250.00	\$100.00	\$643.77	-	-	45,000	231	-	1,320	\$1.8	\$4.0	\$135.0	\$70.7
2019	\$250.00	\$100.00	\$663.08	continues	-	45,000	169	-	1,078	\$1.3	\$3.2	\$135.0	\$70.4
2020	\$250.00	\$100.00	\$682.98	to	-	45,000	114	-	866	\$0.9	\$2.6	\$135.0	\$70.1
2021	\$250.00	\$100.00	\$703.47	increase	-	45,000	76	-	686	\$0.6	\$2.1	\$135.0	\$69.9
2022	\$250.00	\$100.00	\$724.57	-	-	45,000	48	-	533	\$0.4	\$1.6	\$135.0	\$69.6
2023	\$250.00	\$100.00	\$746.31	-	-	45,000	31	-	407	\$0.3	\$1.2	\$135.0	\$69.3
2024	\$250.00	\$100.00	\$768.70	-	-	45,000	18	-	304	\$0.2	\$0.9	\$135.0	\$69.0
2025	\$250.00	\$100.00	\$791.76	-	-	45,000	10	-	222	\$0.1	\$0.7	\$135.0	\$68.7
2026	\$250.00	\$100.00	\$815.51	-	-	45,000	5	-	150	\$0.0	\$0.4	\$135.0	\$68.4
2027	\$250.00	\$100.00	\$839.97	-	-	45,000	3	-	100	\$0.0	\$0.3	\$135.0	\$68.1
2028	\$250.00	\$100.00	\$865.17	-	-	45,000	1	-	63	\$0.0	\$0.2	\$135.0	\$67.8
2029	\$250.00	\$100.00	-	-	-	45,000	-	-	41	\$0.0	\$0.1	\$135.0	\$67.5
2030	\$250.00	\$100.00	-	-	-	45,000	-	-	24	\$0.0	\$0.1	\$135.0	\$67.2
2031	\$250.00	\$100.00	-	-	-	45,000	-	-	13	\$0.0	\$0.0	\$135.0	\$67.0
2032	\$250.00	\$100.00	-	-	-	45,000	-	-	7	\$0.0	\$0.0	\$135.0	\$66.7
2033	\$250.00	\$100.00	-	-	-	45,000	-	-	4	\$0.0	\$0.0	\$135.0	\$66.4
2034	\$250.00	\$100.00	-	-	-	45,000	-	-	1	\$0.0	\$0.0	\$135.0	\$66.1

NOTES:

TOTAL COSTS, 1986-2034:	\$1,287.0	\$1,131.0	\$5,418.9	\$3,199.2
CONSTANT 1985 DOLLARS, 1986-2034:	\$764.38	\$625.01	\$1,391.12	\$945.9
PRESENT VALUE, 1986-2034:	\$620.02	\$496.88	\$879.78	\$634.9

* Persons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" (\$25.2 in '86, \$26.5 in '87, and \$27.7 in '88).

** Persons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

Although we think it is important to point out this data limitation to policy makers, we do not suggest that another set of data be used. Rather, we wish to only point out the conservative nature of the projections.

C. Cost of the Annuity Proposal

This particular chart shows the cost of the annuity program if an average participation rate of 30% is achieved, if 100% of each PFD check is deferred if the Legislature chooses to subsidize the program for the first three years, and if the annuity investment achieves a 3% real rate of return. The actual cost of the annuity program depends on several variables not easily predicted, in addition to population. The value of the dividend each year, the amount of subsidy provided each year, the cost of administering the program, and the real rate of return on the money invested all affect the overall cost of the program.

For example, if front-loading is provided every year and all other assumptions remain the same, the additional 50 year cost would be \$1.95 billion. Every time a variable is changed, the cost estimate also changes.

D. Cost of the Stairstepping Proposal

The stairstepping cost is based on the Adams proposal. If stairstepping began immediately, but the age of eligibility was only increased every other year, the cost of the program would be \$1,641.6 billion.

E. Cost of the Means Test Proposal

It is important to point out that under this proposal, more elders get the higher bonus until FY 2000. At that time, the percentage switches, since the value of money erodes over time.

F. Cost of the Status Quo Proposal

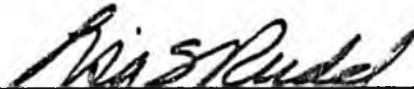
The cost of extending the current program for one year only would be \$50.2 million.

CONCLUSION

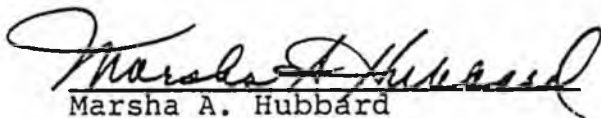
We realize that the majority of the Governor's Task Force favors the annuity proposal, and the majority report reflects that. However, we believe that the report does not adequately address some of the problems with that proposal, nor does it refute what we see as the advantages of the stairstepping and means test proposals. This report is intended to provide additional information on all the proposals being considered. As the Legislature and the Governor begin the process of deciding the future of the longevity bonus, we hope the pros and cons of each proposal will be seriously examined.



Representative Al Adams
Member of the Committee



Commissioner Lisa Rudd
Member of the Committee



Marsha A. Hubbard
Member of the Committee

2/26/95

TO: SENATOR RODEY
FR: ROSE PALMQUIST

376-0110 - OFFICE
376-2274 - HOME

RE: SB 56 LONGEVITY BONUS LEGISLATION

PLEASE KEEP ME INFORMED OF JUDICIARY COMMITTEE MEETINGS SCHEDULED ON THIS LEGISLATION. WILL THERE BE ANY TYPE OF "WRAP-UP" MEETING FOR FINALIZATION? WILL APPRECIATE ANY AND ALL INFORMATION WHICH CAN BE SUPPLIED TO ME BY YOUR JUDICIARY COMMITTEE STAFF ON THE LONGEVITY BONUS LEGISLATION.

EDM

3/1 4:20 pm

telephoned to inform of next week's
hearings - promised to keep me
informed Q2

State of Alaska

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
(Co-Chairman)
HOUSE JUDICIARY
HOUSE COMMUNITY AND
REGIONAL AFFAIRS



POUCH V
JUNEAU, ALASKA 99811
(907) 465-4968

914 CLAY COURT
ANCHORAGE, ALASKA 99503
(907) 276-6844

Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

February 18, 1985

Dear Colleague:

Joe Russo, a constituent who is President of Anchorage Sourdough Chapter 533 of the American Association of Retired Persons, Inc., has requested that I share with you the enclosed letter to Governor Sheffield dated January 31, 1985, concerning the longevity bonus. As outlined in that letter, on January 16, Chapter 533 passed a resolution in support of the longevity bonus proposal recommended by the State Special Committee on the Alaska Longevity Bonus Program, rather than a program with a "needs" basis.

A copy of the Chapter's January 31, 1985 letter to Governor Sheffield is attached.

Thank you for your consideration of that letter.

Cordially,

A handwritten signature in dark ink, appearing to read "MFG".

Max F. Gruenberg, Jr.

MFG/ke
Encls.



of the AMERICAN ASSOCIATION OF RETIRED PERSONS, Inc.

ANCHORAGE SOURDOUGH CHAPTER #533

January 31, 1985

State of Alaska
Office of the Governor
Pouch V
Juneau, Alaska 99811

Honorable Governor Sheffield:

Dear Sir:

At the January 16, 1985 monthly meeting of Anchorage Sourdough Chapter #533 of the American Association of Retired Persons the current issues on the longevity bonus were discussed, in fact discussed rather vigorously and emphatically on certain points.

A resolution was passed by the chapter in support of Mr. Harms' version of the solution to the problem rather than base eligibility on a needs basis.

Sourdough Chapter enjoys an active membership of 300 members. It is our hope you will please give the above your consideration.

Respectfully,

Hazel E. Harris (Mrs.)
Corresponding Secretary

JR/hh

cc:
Senator Don Bennett
Rep. Ben Grussendorf

Joe Russo Pres.
JOE RUSSO Pres.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

POUCH CR (MS 0203)
JUNEAU, ALASKA 99811
PHONE (907)465-4460

2600 DENALI ST. SUITE 401
ANCHORAGE, ALASKA 99503
PHONE (907) 277-7504

Public Employees' Retirement System
Teachers' Retirement System
Judicial Retirement System
Elected Public Officers Retirement System
National Guard Retirement System
Territorial Retirement System
Retirees Voluntary Dental-Vision Audio Plan
Supplemental Benefits System
Group Health/Life Insurance Benefits
Deferred Compensation Plan
Public Employers Social Security Contributions

Bill Sheffield, Governor

(907) 465-4470

February 1, 1985

The Honorable Jan Faiks and John Sackett
Cochair
Senate Finance Committee
Pouch V
Juneau, AK 99811

Dear Senators Faiks and Sackett:

At the Senate State Affairs Committee meeting held January 29 on Senate Bill 56, I was asked to reduce an observation to writing and direct it to the Senate Finance Committee. Since SB 56 has also been referred to the Senate Judiciary Committee, I am providing them with a copy of this letter.

As it is currently drafted, SB 56 allows people who reach the age of 65 on or after January 1, 1986 to draw an annuity benefit and, at the same time, continue to receive additional annuity shares in lieu of cash permanent fund dividends. The purpose of this continued participation is apparently to ensure that those persons can add their annuity payment to their longevity bonus payment and not suffer any reduction from year to year. This provision does allow annuity recipients to benefit from any "front loading" which may occur after their annuities commence, but it makes the program more difficult to administer and understand.

Each annuity recipient's benefit will have to be recomputed each year to reflect any additional annuity shares or front loading. This makes it impractical to utilize an independent annuity carrier and indicates in-house issuance of checks and earnings statements.

Fixing annuity payments at the time they commence would not only simplify payment administration, but would also lend itself to allowing annuitants to choose forms of payment other than the single life annuity. Annuitants could select a joint and survivor option or other form of payment at the time annuity payments commenced without creating problems for the program. The Senate State Affairs Committee responded to a considerable amount of testimony in favor of allowing beneficiaries to receive deferred permanent fund dividends when a participant dies before reaching age 65. I believe that pressure to provide for beneficiaries of those who die shortly after reaching age 65 will increase over time as people participate in and understand the program. It would be very difficult to explain to a 64 year-old, terminally ill, person with two years to live who had participated in the program for several years that there was no way in which either that person or his or her family could benefit from those contributions.

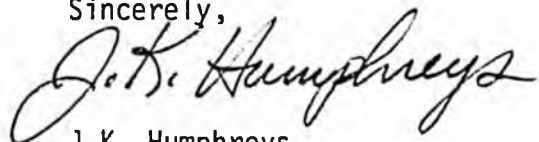
The Honorable Jan Faiks and John Sackett
February 1, 1985
Page 2

There appear to be several alternatives to continued participation which would allow fixing the annuity at the time payments began. All alternatives would require that those receiving annuities take their permanent fund dividends in the form of cash to supplement their annuities and any longevity bonus payments. If no change were made in the way longevity bonus payments are computed, in SB 56, a recipient would not benefit from front loading after payments began and might not attain the full combined value. Or, Longevity Bonus payments could be reduced only by the maximum annuity available to a 65-year-old at the time payments begin and not reduced further. This second approach would increase Longevity Bonus costs but would presumably decrease front loading costs. As a final example, Longevity Bonus payments might be reduced by the maximum annuity available at the time payments commenced plus one twelfth of the previous year's permanent fund dividend.

I raised this point in the Senate State Affairs Committee, not as an advocate, but because a number of the people analyzing SB 56 had been confused. This is a key element in the structure of the program and legislative intent should be clear.

Please let me know if you would like any further information.

Sincerely,



J.K. Humphreys
Director

JKH/plg

cc: The Honorable Mitch Abood
Chairman of Senate State Affairs Committee

✓ The Honorable Pat Rodey
Chairman of Judiciary Affairs Committee

Commissioner Rudd

Rebecca Burch
Special Assistant to
the Commissioner

Gregg Erickson
Principle Analyst
Division of Strategic Planning
Office of Management & Budget

COMPARISON OF ALB ALTERNATIVES

FISCAL YEAR	MONTHLY PAYMENTS						ANNUAL COSTS (millions)			
	ANNUITY BILL			CSSB 56			SPECIAL COMMITTEE ANNUITY BILL*	CSSB-56*	STAIRSTEP BILL**	CURRENT LAW
	ALB TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB	ALB TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB				
1986	\$250.00	\$.00	\$250.00	\$250.00	\$.00	\$250.00	\$50.2	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	\$257.50	\$11.92	\$245.58	\$79.6	\$79.6	\$53.3	\$53.3
1988	\$265.23	\$24.86	\$240.37	\$265.23	\$24.71	\$240.52	\$84.7	\$84.7	\$56.3	\$56.3
1989	\$273.18	\$39.05	\$234.13	\$273.18	\$38.38	\$234.80	\$89.5	\$89.5	\$59.5	\$59.5
1990	\$281.38	\$46.94	\$234.44	\$281.38	\$45.55	\$235.83	\$65.8	\$65.9	\$62.7	\$62.7
1991	\$289.82	\$56.27	\$233.55	\$289.82	\$53.97	\$235.85	\$69.2	\$69.5	\$65.7	\$65.7
1992	\$298.51	\$67.21	\$231.30	\$298.51	\$63.79	\$234.72	\$72.2	\$72.7	\$62.5	\$68.5
1993	\$307.47	\$79.93	\$227.54	\$307.47	\$75.21	\$232.26	\$75.0	\$75.8	\$59.7	\$71.6
1994	\$316.69	\$94.67	\$222.02	\$316.69	\$88.43	\$228.26	\$77.0	\$78.1	\$56.5	\$74.4
1995	\$326.19	\$111.73	\$214.46	\$326.19	\$103.72	\$222.47	\$78.6	\$80.3	\$53.8	\$77.7
1996	\$335.98	\$131.53	\$204.45	\$335.98	\$121.37	\$214.61	\$79.0	\$81.3	\$50.6	\$80.6
1997	\$346.06	\$154.20	\$191.86	\$346.06	\$141.44	\$204.62	\$77.9	\$81.0	\$47.5	\$83.1
1998	\$356.44	\$180.13	\$176.31	\$356.44	\$164.33	\$192.11	\$75.8	\$79.9	\$44.8	\$86.0
1999	\$367.13	\$209.76	\$157.37	\$367.13	\$190.39	\$176.74	\$71.9	\$77.3	\$41.9	\$88.7
2000	\$378.15	\$243.52	\$134.63	\$378.15	\$219.97	\$158.18	\$66.2	\$73.2	\$39.1	\$91.5
2001	\$389.49	\$281.92	\$107.57	\$389.49	\$253.43	\$136.06	\$58.3	\$67.3	\$36.3	\$94.4
2002	\$401.18	\$325.34	\$75.84	\$401.18	\$291.07	\$110.11	\$47.8	\$59.2	\$33.6	\$97.3
2003	\$413.21	\$374.26	\$38.95	\$413.21	\$333.31	\$79.90	\$34.3	\$48.7	\$30.9	\$100.3
2004	\$425.61	\$429.25	\$.00	\$425.61	\$380.64	\$44.97	\$18.7	\$35.4	\$28.3	\$103.4
2005	\$438.38	\$490.97	\$.00	\$438.38	\$433.53	\$4.85	\$16.9	\$18.8	\$25.9	\$107.2
2006	\$451.53	\$560.18	\$.00	\$451.53	\$492.60	\$.00	\$15.1	\$15.1	\$23.5	\$111.4
2007	\$465.07	\$637.63	\$.00	\$465.07	\$558.43	\$.00	\$13.4	\$13.4	\$21.1	\$115.5
2008	\$479.03	\$724.15	\$.00	\$479.03	\$631.66	\$.00	\$11.8	\$11.8	\$19.1	\$120.9
2009	\$493.40	\$820.68	\$.00	\$493.40	\$713.40	\$.00	\$10.5	\$10.5	\$16.9	\$126.6
2010	\$508.20	\$928.22	\$.00	\$508.20	\$803.32	\$.00	\$8.8	\$8.8	\$14.9	\$132.0
2011	\$523.44	\$1,047.88	\$.00	\$523.44	\$903.38	\$.00	\$7.6	\$7.6	\$12.7	\$135.0
2012	\$539.15		\$.00	\$539.15		\$.00	\$6.5	\$6.5	\$11.0	\$135.0
2013	\$555.32		\$.00	\$555.32		\$.00	\$5.5	\$5.5	\$9.5	\$135.0
2014	\$571.98		\$.00	\$571.98		\$.00	\$4.5	\$4.5	\$8.1	\$135.0
2015	\$589.14		\$.00	\$589.14		\$.00	\$3.7	\$3.7	\$7.0	\$135.0
2016	\$606.82		\$.00	\$606.82		\$.00	\$2.9	\$2.9	\$5.7	\$135.0
2017	\$625.02		\$.00	\$625.02		\$.00	\$2.3	\$2.3	\$4.8	\$135.0
2018	\$643.77		\$.00	\$643.77		\$.00	\$1.8	\$1.8	\$4.0	\$135.0
2019	\$663.08	continues	\$.00	\$663.08	continues	\$.00	\$1.3	\$1.3	\$3.2	\$135.0
2020	\$682.98	to	\$.00	\$682.98	to	\$.00	\$.9	\$.9	\$2.6	\$135.0
2021	\$703.47	increase	\$.00	\$703.47	increase	\$.00	\$.6	\$.6	\$2.1	\$135.0
2022	\$724.57		\$.00	\$724.57		\$.00	\$.4	\$.4	\$1.6	\$135.0
2023	\$746.31		\$.00	\$746.31		\$.00	\$.3	\$.3	\$1.2	\$135.0
2024	\$768.70		\$.00	\$768.70		\$.00	\$.2	\$.2	\$.9	\$135.0
025	\$791.76		\$.00	\$791.76		\$.00	\$.1	\$.1	\$.7	\$135.0
026	\$815.51		\$.00	\$815.51		\$.00	\$.0	\$.0	\$.4	\$135.0
027	\$839.97		\$.00	\$839.97		\$.00	\$.0	\$.0	\$.3	\$135.0
028	\$865.17		\$.00	\$865.17		\$.00	\$.0	\$.0	\$.2	\$135.0
029			\$.00	\$891.13		\$.00	\$.0	\$.0	\$.1	\$135.0
030			\$.00	\$917.86		\$.00	\$.0	\$.0	\$.1	\$135.0
031			\$.00	\$945.40		\$.00	\$.0	\$.0	\$.0	\$135.0
032			\$.00	\$973.76		\$.00	\$.0	\$.0	\$.0	\$135.0
033			\$.00	\$1,002.97		\$.00	\$.0	\$.0	\$.0	\$135.0
134			\$.00	\$1,033.06		\$.00	\$.0	\$.0	\$.0	\$135.0

TOTAL COSTS, 1986-2034: \$1,387.2 \$1,466.8 \$1,131.0 \$5,418.9
 CONSTANT 1985 DOLLARS, 1986-2034: \$805.32 \$836.9 \$625.01 \$1,391.12
 PRESENT VALUE, 1986-2034: \$645.82 \$666.3 \$496.88 \$879.78

S:
 rsons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" (\$25.2 in '87, \$26.5 in '88, and \$27.7 in '89).
 rsons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

ared by the Division of Strategic Planning, OMB: 2/ 7/85

4
6
Annuity

Dividend Amount

11.92		464	
24.71	107%	510	9%
38.38	55%	550	8%
45.55	19%	597	9%
53.97	18%	655	10%
63.79	18%	715	9%
75.21	18%	782	9%
88.43	16%	853	9%
103.72	17%	933	9%
121.37	17%	1023	10%
141.44	16%	1095	7%
164.33	16%	1183	8%
190.39	16%	1279	8%
219.97	15%	1378	8%
253.43	15%	1481	7%
291.07	15%	1572	6%
333.31	14%	1666	6%
380.64	14%	1761	6%
433.53	14%	1856	5%
492.60	14%	1956	5%
558.43	13%	2053	5%
631.66	13%	2147	5%
713.40	13%	2242	4%
803.32	13%	2334	4%
903.38	12%	2423	4%

33,509

with INT = $66,910 \div 15 \text{ yrs} \div 12^{\text{m}} = 371^{\frac{72}{12}}$

1) Plan the hearings so that the committee can consider the major issues separately, and so that the public (through TV and other media) can consider this complex issue in bite-size portions. A possible order of presentation:

- * background/history/recommendations of the longevity bonus task force, including the majority and minority reports;
- * annuity proposal, by itself, as an investment;
- * impact on low-income persons and public assistance;
- * grandfathering of present recipients/phase out alternatives and costs;
- * teleconference or on-the-road hearings;
- * mark-up of committee substitute.

2) Keep in mind the goal: achieve significant consensus among the House and Senate leadership and the Governor's office on how to deal with this problem before moving the bill to Senate Finance.

3) Items to consider for each of the hearings. Hearing #1: background/history/recommendations of the longevity bonus task force, including the majority and minority reports.

* people to testify:

- bill sponsor/Bill Ray
- committee staff/Jon Tillinghast/Paula Scavera/Mil Zahn
- chairman of Senate State Affairs Committee/Mitch Abood
- Governor Sheffield
- Representative Adams
- spokesmen for the two reports/Tillinghast & Vogt vs. Cutler and Hubbard

* purpose:

- to give the bill sponsor the opportunity to make his case
- to set the stage for later hearings
- to provide an overview of the major issues
- to present Judiciary plan for handling this issue
- to give the Governor a chance to redeem himself

* objectives

- alot of press
- public understanding of major items of discussion
- agreement on a bottom line (grandfathering)
- demonstrate to committee members that the Judiciary approach will be a fair, dispassionate and thorough one.

4) Items to consider for Hearing #2: annuity proposal, by itself, as an investment.

* purpose:

- to present the annuity proposal from the perspective of the potential investor (the individual and the State);

* objectives:

- explain the basic features of the annuity proposal
 - * Tillinghast
 - * question and answer memo from Judiciary staff (see addendum)
- present the annuity as one alternative in the world of retirement planning investment options
 - * representatives from the private sector such as insurance agents, financial planners
 - * Humphries from Division of Retirement
- explain tax considerations
 - * task force tax counsel
- explain administrative considerations
 - * Milt Barker/Treasury
 - * J.K. Humphries/Retirement and Benefits
 - * Ervin Jones/Administrative Services
 - * ~~Lou-Keller/Pioneers-Benefits~~
 - * ~~Sally-Smith/Public-Services~~
- explain impact on dividend program
 - * Sally Smith
- explain impact on longevity bonus program

5) Items to consider for Hearing #3: impact on low-income persons and public assistance

* purpose:

- to make it clear to committee members and the public that the final solution must not have negative effects on poor people;

* objectives:

- to get consensus on passage of hold harmless legislation;
- to have Rod Betit and John Pugh explain in simple English what the situation is for poor people now and in the future
- compare with the hold harmless law regarding PFD's.

6) Hearing #4: phase-out alternatives/grandfathering/costs

* purpose:

- to make it clear that all plans would grandfather present recipients;
- to make it clear that all plans contain some element of phase out;
- to describe the different methods of phase out, including costs.

* objectives:

- have House Research run their numbers on various alternatives
- have Al Adams or Louann Cutler explain stair-stepping
- get the cost discrepancies between the various plans on the table.

7) Question and Answer Memo from Judiciary staff to PMR regarding SB 56 annuity.

- * What is SB 56?
- * What is an annuity?
- * How does this annuity compare with annuities you can buy in the private sector? (see attachment)
- * As a potential investor, why would I want to invest my money in this plan?
- * How does an annuity fit into the average person's retirement planning?
- * What would be the advantage of establishing the annuity plan?
- * What would be the disadvantages of establishing the annuity plan?
- * What are the objections to the annuity proposal?
- * What are the major issues involved here?
- * Are there any alternatives to the annuity?
- * Is SB 56 a tax-deferred annuity?
- * What does tax-deferred mean?
- * But won't I end up paying more taxes in the future?
- * When do I pay taxes?
- * Can't I get a higher interest rate elsewhere on my savings?
- * Is there any government insurance on an annuity (like the FDIC, for example)? use the Baldwin example
- * What will the State annuity program do with my money?
- * Is my yield guaranteed?
- * How will I know my balance?
- * Are there any fees?
- * Can I make early withdrawals?
- * Is this a better investment than an IRA or Keogh?

- * Will the annuity be fixed or variable?
- * What if I want to change my investment in the future?
- * But what if I have an emergency, can I get my investment?
- * What does this have to do with my dividend from the Permanent Fund?
- * What does this have to do with the longevity bonus?
- * Is switching allowed in my annuity account? (see Compass II pros.)
- * What mortality table will be used to determine the annuity payment rates?
- * How much will it cost to administer this program, and what is the funding source?

8) Other points:

- * use charts and graphs
- * contact life insurance agents and get up-to-date real life annuity plans;
- * tax-deferred annuity - the two words go together, don't they?
- * major issues:
 - who will benefit from the annuity
 - " " " " " front-loading
 - effect on OAA and Medicaid
 - front-loading
 - changing the dividend program
 - using the money in the undistributed income account
 - tax status
 - participation rate.
- * consider advocating a statewide vote at the next general election on the question of changing the dividend program.
- * SB 56 would have the State subsidize individual annuity accounts heavily for pre-65 year olds and less down to 18 year olds (nothing for younger persons or over 65's).
- * the provision that will change the dividend form so that unless the person checks cash, he will receive annuity credit, will cause huge administrative problems (Sally Smith had 1.5 million phone calls on the Zenith line in FY 84 - this does not include local calls or walk-ins.

* * What is the relevance of the 3% escalator?

* Regarding participation rate, SB 56 only works if the participation rate is high. Without high participation, there will still be huge demands on the general Fund in future years (and even if participation is high, the people who choose not to participate will be exactly the people who are likely to need State help the most.

* The lack of favorable tax consideration after the front loading is a major defect.

*

March 5, 1980

The Alaska Permanent Fund and Management of Alaska's Wealth

This information is provided by Representative Hugh Malone, chairman of the House Special Committee on the Permanent Fund and a member of the free conference committee on the Permanent Fund.

The Alaska Permanent Fund was established by the voters in 1976 to receive at least 25% of all mineral royalties and bonuses. What this means in real terms is that approximately one out of every ¹⁰ ~~eight~~ dollars which the state receives in oil revenues is deposited in the Permanent Fund. The fund currently contains about \$350 million and is earning interest of over 11%. It is being invested by the Department of Revenue under an interim management plan, and the earnings flow into the general fund. The legislature has yet to decide just how the Permanent Fund shall be invested and managed over the long-run. A free conference committee, of three House and three Senate members, is presently meeting in an attempt to reach agreement on Permanent Fund legislation.

Alaska today is in the unique position of having enough money to adequately provide governmental services; to construct needed capital projects; to eliminate the personal income tax, expand loan opportunities, and return a share of the oil wealth to Alaskans as dividends; and to save a portion of the wealth for the future. Although earnings of the Permanent Fund will never completely replace today's oil revenues, they can go a long way towards helping stabilize the Alaskan economy and reducing the need for personal income tax payments in the

future.

Q. What are the basic components of the House Permanent Fund bill (HCS for SB 161)?

A. The House bill focuses on the management of the Permanent Fund and addresses three major concerns-- safety of principal, accountability, and legislative oversight. The fund would be invested as a trust consisting of a wide variety of quality, high-grade investments. These investments have been described as "squeaky conservative." The House also decided that the fund, because of its fundamentally different goals, should not be invested by the same people who manage money for day-to-day use by the state-- the Department of Revenue-- but should be managed by a public corporation distinct from state government. The proposed Permanent Fund Corporation, with its own board of trustees, would be made accountable in several ways. The House bill also expands the powers and duties of the Legislative Budget and Audit Committee to oversee all lending and investment functions of the state, including those of the Permanent Fund Corporation.

Q. How much money would the House bill deposit into the Permanent Fund?

A. The House bill would raise the contribution level to the Permanent Fund from the current 25% to 50% of all bonuses, 25% of royalties from existing leases, and 50% of royalties from new leases. It's important to remember that 50% of bonuses and royalties actually means about 25% of all oil revenues, so that three-quarters of state revenues would still be going to the general fund for general governmental purposes.

Q. What would be the advantages of investing the Permanent Fund according to the House plan?

A. The Permanent Fund, if invested as an "inviolable trust," would be just as secure as possible and would return substantial earnings to Alaskans. Because the investments would be diversified and would not rise and fall with Alaska's economy, the earnings would be stable. In addition, the establishment of a secure trust would be a sign to the national financial community that Alaska is following a responsible fiscal policy. The passage of the House bill would not preclude aiding the state's economy in other ways as well. Loan programs, capital projects, tax repeals or refunds-- all these can be taken care of through the general fund.

Q. Under the House plan, what would happen to the fund's earnings?

A. The earnings would flow into the general fund, just as they do today. Future legislatures would still have the option of redirecting the earnings. Paying them as dividends to today's Alaskans is one idea.

Q. How does the Hohman bill (SB 1) differ from the House bill?

A. Senator Hohman's bill is an extremely long and complex one which deals only peripherally with the Permanent Fund. SB 1 provides for the elimination of existing loan programs and development authorities and the substitution of a new program combining all loan purposes. The loan program would be tied to the Permanent Fund by using the Permanent Fund earnings to guarantee revenue bonds to fund the loans. The Hohman bill also differs from the House bill in that its Permanent Fund investment list is much broader (and less secure), its contribu-

(tion rate is set at 100% of bonuses and 25% of royalties, and the fund is managed by the Department of Revenue.

Q. What are the House objections to the Hohman bill?

✓ A. The primary objection is that it is concerned much more with the state's loan programs than with the Permanent Fund, and that a free conference committee on the Permanent Fund is not the place to so drastically restructure the loan programs. SB 1 is extremely complex and, if implemented, would have far-reaching consequences for the state's economy and credit rating. Specific problems with the concept include 1) the earnings of the Permanent Fund are put at risk, 2) consolidation of the loan programs does not solve the existing problem of access to them, 3) the programs would receive automatic funding without legislative review, 4) there is no method of prioritization and the different loan programs could not be judged separately on their merits, and 4) municipalities would be encouraged to issue unrestricted debt.

Q. What does the House offer as an alternative to the loan program portion of SB 1?

(A. The House Finance Committee is currently developing a package of loan bills which will address the needs of Alaskans for easily accessible and low-cost loans. Although the details are yet to be worked out, some consolidation will occur and loans will be made available for financing housing and businesses. Emphasis will be placed on ensuring that those people who most needs loans receive them. Interest rates will be reasonable. I feel confident that the House will pass comprehensive and responsible loan legislation within the

next several weeks. I might add that \$35 million a month in state funds is right now available for Alaskan mortgages through HCR 33, sponsored by the House Finance Committee this session.

Q. What does the state's financial picture look like for the next few years?

A. The latest financial projections are very impressive. With the Permanent Fund receiving just 25% of royalties and bonuses and with the earnings being distributed to the public, at the end of 1982 we should have about \$1.2 billion in the Permanent Fund and \$6.7 billion in the general fund. Since, at current growth and inflation rates, \$1.6 billion will be needed to meet the state budget, there will be over \$5 billion extra in the general fund to be appropriated for whatever purposes the legislature desires. While the opportunities for spending money within the state are vast, the legislature also bears an unprecedented responsibility to manage Alaska's new wealth wisely. Setting a portion of it aside in a secure Permanent Fund should be one step in responding to that responsibility.



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Ms. Marsha Hubbard
Office of the Governor
Pouch A
Juneau, Alaska 99811


Dear Ms. Hubbard:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5 and Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,


Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Gregg Erickson
Principal Analyst
Office of Management and Budget
Pouch AM
Juneau, Alaska 99801

Dear Mr. Erickson:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Jon Tillinghast
Birch, Horton, Bittner,
Pestinger and Anderson
130 Seward, Suite 411
Juneau, Alaska 99801

Dear Mr. Tillinghast:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

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Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Stephen K. Woodruff
Equitable Life Assurance
Society of the United States
9309 Glacier Highway, Suite A202
Juneau, Alaska 99801

Dear Mr. Woodruff:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

David Teal
Director, House Research Agency
Pouch Y
Juneau, Alaska 99811

Dear Mr. Teal:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5 and Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

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Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

John Pugh
Commissioner, Department of Health
and Social Services
Pouch H-01
Juneau, Alaska 99811

Dear Mr. Pugh:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5 and Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "P. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Louis Keller
Director, Division of Pioneers' Benefits
Department of Administration
Pouch C
Juneau, Alaska 99811

Dear Mr. Keller:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "P. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Debra Vogt
Assistant Attorney General
Department of Law
Pouch K
Juneau, Alaska 99811

Dear Ms. Vogt:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 21 and Wednesday, February 27. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Keith Levy
Division of Legal Services
Pouch Y
Juneau, Alaska 99811

Dear Mr. Levy:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

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Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

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Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Ervin Jones
Director, Division of
Administrative Services
Department of Revenue
Pouch SA
Juneau, Alaska 99811

Dear Mr. Jones:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

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Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Sally Smith
Director, Division of Public Services
Department of Revenue
Pouch SA
Juneau, Alaska 99811

Dear Ms. Smith:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Milton Barker
Deputy Commissioner
Department of Revenue
Pouch SB
Juneau, Alaska 99811

Dear Mr. Barker:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Patrick M. Rodey".

Patrick M. Rodey



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

John George
Director, Division of Insurance
Department of Commerce
and Economic Development
Pouch D
Juneau, Alaska 99811

Dear Mr. Barker:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "P. Rodey".

Patrick M. Rodey

PMR/acp
Enclosure



Official Business

Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99811

February 21, 1985

Ken Humphreys
Director, Division of
Retirement and Benefits
Department of Administration
Pouch CR
Juneau, Alaska 99811

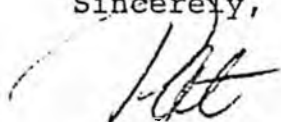
Dear Mr. Humphreys:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27, and Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,


Patrick M. Rodey

SUBJECT SUMMARY

THE CURRENT SUBJECT IS LONGEVITY BONUS

BILL #	TITLE	CURRENT STATUS
HB 210	LONGEV. BONUS, PERM. FUND DIV.; ANNUITIES	(H) SA
HB 212	LONGEVITY BONUS; "HOLD HARMLESS" PROVISION	(H) HESS
SB 56	LONGEV. BONUS; PERM. FUND DIV.; ANNUITIES	(S) JUD
SB 128	LONGEVITY BONUS; ADULT PUBLIC ASSISTANCE	(S) SA

HB 239 Stairstepping -

HCR 16

Introduced: 2/18/85
Referred: State Affairs,
Judiciary and Finance

1 IN THE HOUSE

BY TAYLOR AND JENKINS

2

HOUSE BILL NO. 210

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
representative)

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

29 (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-
4 dance with AS 37.10.070.

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-
15 pared to allow an applicant, other than a person who is exempt under
16 AS 47.45.015(b), to elect to receive cash in lieu of a permanent fund
17 dividend.

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

19 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
20 any criminal penalties imposed by state law, if an individual is
21 convicted of a crime in connection with a false statement made in a
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.

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

8 (c) If the commissioner determines that a permanent fund divi-
9 dend should not have been credited to an individual's annuity account,
10 the commissioner may, after notice and opportunity for hearing, direct
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
14 credit is the fault of the state, the debit must be made within three
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 47.25.30, 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 10.07 (c).

Introduced: 2/18/85
Referred: Health, Education &
Social Services and Finance

BY KOPONEN, CLOCKSIN, DUNCAN,
GRUENBERG, HURLEY, M.M. MILLER,
SUND AND TAYLOR

1 IN THE HOUSE

2

HOUSE BILL NO. 212

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 the use of longevity bonus pay-
ments in determining adult public assistance; and
providing for an effective date."

7

8

9

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

10

* Section 1. AS 47.45 is amended by adding new sections to read:

11

Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An

12

individual for whom public assistance is denied or reduced solely
because of the receipt of a bonus by the individual or by a member of
the individual's household is eligible for assistance under the
general relief assistance program under AS 47.25.120 - 47.25.300.
Notwithstanding the limit in AS 47.25.130, the individual is entitled
to receive the same amount as the individual would have received under
other public assistance programs had there been no longevity bonus
program.

13

14

15

16

17

18

19

20

(b) In this section "public assistance" means

21

(1) Supplemental Security Income (42 U.S.C. 1381 - 1385);

22

(2) Medicaid (42 U.S.C. 1396 - 1396p);

23

(3) Adult Public Assistance (AS 47.25.430 - 47.25.615); and

24

(4) Aid To Families With Dependent Children (AS 47.25.310 -

25

47.25.420).

26

Sec. 47.45.124. ELIGIBILITY FOR STATE PROGRAMS. A program

27

administered by the state or any of its instrumentalities or municipi-

28

palities, the eligibility for which is based on financial need, may

29

not consider a bonus as income or resources unless required to do so

1 by federal law or regulation.

2 * Sec. 2. This Act takes effect July 1, 1985.

C O R R E C T I O N

Discard SB 128
and retain this corrected version.

Introduced: 2/5/85
Referred: State Affairs, Health
Education and Social
Services and Finance

BY HALFORD, RODEY
KERTTULA AND RAY

1 IN THE SENATE

2 SENATE BILL NO. 128

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 the use of longevity bonus pay-
7 ments in determining adult public assistance; and
8 providing for an effective date."

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

10 * Section 1. AS 47.25.430 is amended by adding a new subsection to
11 read:

12 (e) If the amount of an individual's benefit under 42 U.S.C.
13 1381 - 1385 (Title XVI, Social Security Act, Supplemental Security
14 Income Program) is reduced because of longevity bonus payments under
15 AS 47.45, the department shall increase the individual's assistance
16 under AS 47.25.430 - 47.25.615 by the amount of the federal reduction.

17 * Sec. 2. AS 47.25.435 is amended to read:

18 Sec. 47.25.435. EXCLUSION OF INCOME. Notwithstanding the pro-
19 visions of AS 47.25.430 - 47.25.615, if the applicable provisions of
20 42 U.S.C. 301 - 1397f (Social Security Act), as amended, permit, in
21 determining the need of an applicant for, or a recipient of, an assis-
22 tance grant under AS 47.25.430 - 47.25.615, the department shall
23 exclude from the computation of the applicant's or recipient's income
24 the amounts specified in 42 U.S.C. [SEC.] 1382a(b) as amended, amounts
25 specified in regulations adopted to implement the supplemental securi-
26 ty income provisions of federal law, longevity bonus payments received
27 under AS 47.45, and any amounts specified by the department by regula-
28 tion so long as exclusion of those amounts is not in conflict with
29 federal law.

1 * Sec. 3. This Act takes effect July 1, 1985.

Introduced: 2/25/85
Referred: State Affairs
and Finance

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

HOUSE BILL NO. 239

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 the longevity bonus program; and
7 providing for an effective date."

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

9 * Section 1. AS 47.45.010 is amended by adding a new subsection to
10 read:

11 (d) Notwithstanding (a) of this section, on July 1, 1991, the
12 age requirement for eligibility for a longevity bonus shall be in-
13 creased to 66 years of age. On July 1 of each succeeding year the age
14 requirement shall be increased by one year.

15 * Sec. 2. Section 11, ch. 38, SLA 1984 is repealed.

16 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

Introduced: 3/4/85
Referred: Rules

BY HURLEY, ADAMS, GRUSSENDORF,
CLOCKSIN, KOPONEN, LARSON, SUND,
TAYLOR AND BOUCHER

1 IN THE HOUSE

2

HOUSE CONCURRENT RESOLUTION NO. 16

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

Relating to the longevity bonus program.

6

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7

WHEREAS the state of Alaska has always been committed to the elderly;

8

and

9

WHEREAS that commitment has been evidenced by the Alaska longevity

10

bonus program since 1972; and

11

WHEREAS the ruling of the Alaska Supreme Court in Schafer v. Vest

12

compels the legislature to replace the original longevity bonus program;

13

and

14

WHEREAS the discussion of what form the longevity bonus program should

15

take in the future has caused uncertainty among recipients;

16

BE IT RESOLVED that the Alaska State Legislature is committed to the

17

principle that those currently receiving the longevity bonus will continue

18

to receive it regardless of what form the program may take in the future.

MEMORANDUM

State of Alaska

TO: Louann Cutler
Representative Adam's Office
Alaska State Legislature

January 28, 1985

DATE:

FILE NO:

TELEPHONE NO:

FROM: *BMP*
Barbara McPherson
Assistant Director
Older Alaskans Commission
Department of Administration

SUBJECT:

The Older Alaskans Commission survey information that you requested is attached. Please note that this is preliminary information based on a sample of 1,000 respondents.

BMP/ro

Attachment

MEMORANDUM

State of Alaska

TO: Staff
Older Alaskans Commission

January 10, 1985

DATE:

FILE NO:

TELEPHONE NO:

FROM: Jon B. Wolfe, Executive Director
Older Alaskans Commission

SUBJECT: Results of Survey

We have received approximately 10,150 returned questionnaires which have been forwarded to the Long Term Care Center for analysis. This is a response rate of approximately 73%. As you all know, this is a phenomenally high rate considering that we did not do a follow up.

The Center has processed a random sample of 1,000 questionnaires. These results should be received today. This will include some cross tabulation of variables (eg. age and sex by health (question 23) and age and sex by disability (question 17)).

The Center plans to have the total survey entered by mid-February. They can run any analysis or cross tabulation we desire within the random sample or the total after 2/15. Processing time for all but very complex analysis will take only a day.

I recommend you all review the questionnaire. Let me know of any analysis you desire and I will request it of the Center.

I will brief you on the sample results after I have had an opportunity to review them.

JBW/ro

OLDER ALASKANS SURVEY
OCTOBER 1984
RANDOM SAMPLE ONLY*

1. AGE CODE = GIVEN AGE
MEAN = 71.915 YEARS OF AGE
MEDIAN = 70.565
MINIMUM = 55
MAXIMUM = 102

2. SEX 1 = MALE 51.6%
2 = FEMALE 48.4%

3. MARITAL STATUS (current)

1. Married 60.6%
2. Divorced 8.7
3. Separated 1.2
4. Widowed 25.6
5. Never Married 3.9

4. Ethnic/racial background

1. White/Caucasian 73.4%
2. Native Alaskan 21.4
3. American Indian 1.4
4. Black .5
5. Asian/Pacific Islander 2.3
6. Other .5

5. Hispanic Background

1. YES 1.3%
2. NO 98.7%

6. BORN IN ALASKA

1. YES 25.0%
2. NO 75.0

7. YEAR CAME TO ALASKA (See data page 9)

CODE = YEAR
RANGE = 1908 TO 1983
MEAN = 1952

(PEAK PERIOD IS DURING WORLD WAR II AND PARTICULARLY THE POST WAR YEARS)

C1C885

* RANDOM SAMPLE

OF 1000 RESPONDENTS. APPLICATIONS OF THIS DATA SHOULD BE LIMITED

8. HOUSING ARRANGEMENTS

1. HOUSE	78.6%
2. APARTMENT	17.1
3. GROUP QUARTERS (Nursing home, Pioneer home, etc.)	4.3

9. HOUSING SATISFACTION

1. EXCELLENT	34.5%
2. GOOD	43.5
3. FAIR	16.8
4. POOR	4.2
5. BAD	1.0

10. MONTHLY HOUSING COST
INCLUDING UTILITIES (see data page 15)

CODE = MONTHLY COST
MEAN = \$447.04
MEDIAN = 399.66
MODE = 500.00

11. LIVING WITH SPOUSE

1. YES	58.9%
2. NO	7.9
3. NO RESPONSE	33.2

12. PEOPLE LIVING WITH RESPONDENT

1. PARENTS	
NONE	94.0%
ONE OR MORE	5.9%
2. CHILDREN	
NONE	73.4%
ONE OR MORE	26.5%
3. BROTHERS	
NONE	97.8%
ONE OR MORE	2.2%
4. SISTERS	
NONE	96.5%
ONE OR MORE	3.6%
5. GRANDCHILDREN	
NONE	84.8%
ONE OR MORE	15.3%
6. OTHER RELATIVES	
NONE	92.1%
ONE OR MORE	7.9%
7. OTHER PEOPLE	
NONE	89.3%
ONE OR MORE	10.6%

*More relatives
living w/ elders
than national
data would
indicate.*

13. TOTAL NUMBER OF PEOPLE LIVING WITH RESPONDENT (see data page 33)

CODE = Number

NONE	25.7%
ONE	46.9
TWO	10.8
THREE	6.2
FOUR OR MORE	10.3

14. NUMBER OF CHILDREN LIVING NEAR YOU

NONE	37.1%
ONE	29.2
TWO	17.4
THREE	8.3
FOUR	2.8
FIVE OR MORE	5.1

15. NUMBER OF SIBLINGS OR CLOSE RELATIVES LIVING NEAR YOU

NONE	72.9%
ONE	10.9
TWO	5.5
THREE	3.4
FOUR	1.6
FIVE OR MORE	5.8

16. NUMBER OF CLOSE RELATIVES THAT DO NOT LIVE NEAR YOU

SIBLINGS	NONE	41.1%
	ONE	17.3
	TWO	15.4
	THREE	9.4
	FOUR	7.5
	FIVE	3.5
	SIX	2.4
	SEVEN OR MORE	3.4

CHILDREN	NONE	43.4%
	ONE	20.7
	TWO	14.4
	THREE	9.8
	FOUR	5.3
	FIVE	2.4
	SIX	2.0
	SEVEN OR MORE	2.0

OTHER RELATIVES	NONE	53.1%
	ONE	7.6
	TWO	5.5
	THREE	3.5
	FOUR	4.0
	FIVE	3.6
	SIX	2.2
	SEVEN OR MORE	20.5

17. DISABILITY COMPARED TO COHORTS

1. Much more disabled	11.3%
2. Somewhat more	15.3
3. About the same	28.7
4. Less	21.4
5. Much Less	23.4

18. DEGREE OF HELP NEEDED WITH NECESSARY TASKS

1. Much help	10.9%
2. More than a little	12.4
3. A little help	34.8
4. No help needed	41.9

highly dependent

19. DEPENDENCE UPON OTHERS FOR DAILY TASKS

1. Very dependent	10.9%
2. Somewhat	19.2
3. Slightly	26.1
4. Not dependent at all	43.7

20. NUMBER OF DAYS SPENT IN A HOSPITAL IN THE PAST YEAR (see data page 43)

CODE = Number of days
 MEAN = 3.840 days

NONE	74.7%
ONE	1.9
TWO	3.1
THREE	2.6
FOUR	1.7
FIVE	1.8
SIX	1.2
SEVEN DAYS AND MORE	13.0

lower than national avg.

21. NUMBER OF TIMES SEEN BY A PHYSICIAN OR OTHER HEALTH PRACTITIONER DUE TO ILLNESS OR INJURY IN THE PAST YEAR

CODE :: NUMBER OF TIMES
 MEAN :: 5.146 TIMES

NONE	25.2%
ONE	14.1
TWO	13.8
THREE	6.9
FOUR	8.9
FIVE	5.5
SIX	5.7
SEVEN OR MORE	19.9

healthy

22. DAYS SICK IN BED AT HOME DURING THE PAST YEAR (see data page 47)

CODE = NUMBER OF DAYS
 MEAN = 11.711 DAYS IN BED

NONE	55.6%
ONE	2.8
TWO	4.2
THREE	3.1
FOUR	3.3
FIVE	3.4
SIX	1.7
SEVEN OR MORE	28.9

23. HEALTH RATING

1. PERFECT	4.1%
2. VERY GOOD	19.2
3. GOOD	41.0
4. FAIR	27.4
5. NOT GOOD AT ALL	8.3

THE AVERAGE RESPONDENT RATED THEIR HEALTH AS GOOD *> high*

24. HEALTH COMPARED TO COHORTS

1. MUCH BETTER THAN MOST	14.5%
2. BETTER	18.6
3. ABOUT THE SAME	44.9
4. SOMEWHAT WORSE	16.5
5. DEFINITELY WORSE	5.5

THE AVERAGE RESPONDENT RATED THEIR HEALTH AS SLIGHTLY WORSE THAN OTHERS OF THEIR AGE AND SEX

25. LEVEL OF SCHOOLING COMPLETED

1. FOURTH GRADE OR LESS	14.3%
2. FIFTH TO EIGHT GRADE	19.3
3. SOME HIGH SCHOOL	14.4
4. HIGH SCHOOL GRADUATE	19.9
5. SOME COLLEGE	15.9
6. COLLEGE GRADUATE	7.6
7. GRADUATE OR PROFESSIONAL SCHOOL	8.7

52.1%

26. SPOUSE ALSO RECEIVING ALB

1. YES	40.7
2. NO	26.7
3. NOT MARRIED	32.6

27. PERSONS RECEIVING INCOME FROM THE FOLLOWING SOURCES (see data)

	<u>YES</u>	<u>NO</u>
1. SAVINGS, INVESTMENTS STOCKS, BONDS	62.0%	38.0%
2. SOCIAL SECURITY	93.3	6.7
3. SSI	26.7	73.3
4. ADULT PUBLIC ASSISTANCE	25.6	74.4
5. RETIREMENT BENEFITS	57.8	42.2
6. WORK/JOB	21.9	78.1
7. OTHER	25.9	74.1

28.. TOTAL INCOME

1.	LESS THAN \$5,000	19.2
2.	\$5,000 - 9,999	31.5
3.	\$10,000 - 14,999	20.5
4.	\$15,000 - 19,999	13.0
5.	\$20,000 and over	15.9

29. CURRENTLY EMPLOYED

YES - 10.8%

FULL TIME	4.8
PART TIME	4.2
SEASONALLY	1.8

NO - 89.1%

RETIRED	69.1
UNEMPLOYED AND LOOKING FOR WORK	1.4
NOT USUALLY EMPLOYED	18.6

30. JOB OR OCCUPATION (see data page 112)

31. PROBLEM IN PERFORMING THE FOLLOWING TASK

	NEEDED NO HELP	NEED SOME HELP	NEED A LOT OF HELP	TOTAL NEEDING HELP
Bathing	89.5%	7.7%	2.8%	10.5%
Toilet	96.6	2.0	1.4	3.4
Dressing	94.0	4.6	1.4	6.0
Moving in/out bed/chairs	93.5	5.1	1.4	6.5
Eating	96.2	2.9	.8	3.7
Buying or getting food	77.8	15.0	7.2	22.2
Telephone	86.3	9.5	4.2	13.7
Transportation	70.8	17.1	12.2	29.3
Cooking	81.4	12.8	5.7	18.5
Taking Medications	89.5	7.7	2.8	10.5
Housework	74.4	17.8	7.8	25.6
Managing money	86.0	9.9	4.1	14.0

*great need -
correlates
with past
research*

32. HEALTH PROBLEM SEVERITY

	NO IMPAIRMENT	LITTLE PROBLEM NO LIMITATIONS	MODERATE PROBLEM SOME LIMITATIONS	SERIOUS PROBLEM
Hearing	45.1%	32.6%	17.1%	5.2%
Eyes	32.5	43.9	17.1	6.5
Back	49.2	26.1	17.0	7.7
Feet or legs	44.5	27.3	18.9	9.3
Lungs	65.6	16.9	9.7	7.8
Arthritis	41.2	31.3	18.7	8.8
Bladder or Bowel	76.6	15.1	5.9	2.3
Diabetes	89.0	5.1	3.4	2.6
Teeth/Dentures	61.6	26.0	8.6	3.8
Memory	64.7	24.3	7.5	3.4
Speech	87.5	9.1	2.3	1.1
Heart	65.3	18.4	11.0	5.3
Alzheimers	96.0	2.7	.6	.7

33. FREQUENCY OF USE OF SERVICES DURING
THE PAST MONTH

	NONE	1-2 DAYS	3-10 DAYS	11-31 DAYS
HOSPITAL	85.8%	5.9%	5.6%	2.7%
NURSING HOME	98.6	.1	.3	1.0
PIONEER HOME	97.3	0	0	2.7
ALASKA PSYCHIATRIC INSTITUTE	100.0	0	0	0
MENTAL HEALTH CLINICS	99.6	.3	0	.1
NUTRITION PROGRAM	90.9	2.0	3.9	3.2
HOME DELIVERED MEALS	95.8	.4	2.0	1.8
SENIOR CITIZEN CENTER	81.3	7.4	7.1	4.2
HOMEMAKER/CHORE	95.5	1.5	1.4	1.5
HOME HEALTH AIDE/NURSE	93.2	3.7	2.0	1.1
SENIOR TRANSPORTATION	88.8	4.0	4.1	3.1
PUBLIC TRANSPORTATION	86.9	6.4	4.5	2.2
DENTAL CARE	89.3	7.2	3.0	.5
ALCOHOL AND DRUG TREATMENT	99.3	.2	.2	.2
PUBLIC HOUSING	96.2	.2	.1	3.5
ALASKA LEGAL SERVICES CORP.	97.1	2.1	.6	.2
ADULT PROTECTIVE SERVICES	99.4	.4	0	.1
ADULT DAY CARE	99.3	.2	.2	.2
PHYSICIAN	64.6	20.9	10.2	4.4
VILLAGE CLINIC	90.1	6.5	2.5	.9
PUBLIC HEALTH CENTER	93.0	5.7	.9	.4
FOOT CARE	96.3	3.1	.2	.4
SENIOR CITIZEN OMBUDSMAN	98.5	.8	.6	.2

info from cross tabulation:

- ① Whites - more men than women
natives - more women than men - more like
Outside trend,

women have less income, live longer, are
more dependent. if \uparrow elders increase
higher than Outside, then affects
annuity prog, long term care plans, etc.

only cost \$4,000 to do survey.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 8, 1985

SUBJECT: Longevity bonus/annuity program bill
(CSSB 56 (State Affairs))

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

FROM: Keith B. Levy *KB*
Legislative Counsel

You have asked the following questions relating to CSSB 56 (SA), the longevity bonus/annuity program bill:

1. Are the annuity provisions of the bill prohibited by ERISA or other federal or state statutes?
2. What are the implications of AS 43.23.130(f), added by sec. 16 of the bill, which provides that an individual has no vested property right in an annuity payment until that payment is made?

1. Implications of federal/state statutes.

The Employee Retirement Income Security Act of 1974, P.L. 93-406, (ERISA), was enacted by Congress in 1974 to protect certain employees' rights under employee benefit plans maintained for them by their employers or employee organizations if the employer is engaged in interstate commerce or activities affecting interstate commerce. Section 4(a) of the act specifically states the coverages of the act, and refers only to employees and employers. Thus, the act was clearly not intended to apply to the type of annuity plan created by CSSB 56(SA), since there is no employee/employer relationship between the annuitants and the state.

Representative Albert P. Adams
February 8, 1985
Page 2

Moreover, even if the annuity plan could be construed as an employee benefit plan, it would still not be covered by ERISA. Section 4(b) of the act specifically excludes from its coverage governmental employee benefit plans. The term "governmental plan" is defined in sec. 3(32) of the act as

. . . a plan established or maintained for its employees by the Government of the United States, by the government of any State or political subdivision thereof, or by an agency or instrumentality of any of the foregoing. (Emphasis added.)

Accordingly, it is clear that ERISA could not be applied to the annuity plan established in CSSB 56(SA).

I am unaware of any other provisions of federal law that could have an impact on the annuity provisions of CSSB 56(SA) other than the provisions of the Internal Revenue Code. It is my understanding that tax counsel was hired by the Longevity Bonus Committee so that the bill could be prepared to have the least tax impact on annuitants. I would defer to the expertise of tax counsel on matters related to the interpretation of the Internal Revenue Code.

probably makes people vest.

There are a number of provisions of state law related to the establishment of annuity plans in the state (see, e.g., AS 21.45 and 21.48). However, to the extent that these provisions conflict with CSSB 56(SA), the bill would prevail if enacted since it is the later enactment. In any case, nothing in existing law (other than constitutional provisions) could prevent the state from setting up the annuity program the way it wants, since the existing provisions could simply be amended by the legislature. Thus, state law is not an impediment to the provisions of CSSB 56(SA).

2. Vested property rights in the annuity.

AS 43.23.130(f), added by sec. 16 of the bill provides:

An individual does not receive a vested property right in an annuity payment until that payment is made. Notwithstanding this section, the state is not obligated

to provide annuity payments for annuity credits granted under AS 43.23.005.

The significance of this section is that, a person could elect to take the permanent fund dividend in the form of an annuity credit for their entire lives and lose the entire benefit if a future legislature chose to repeal the program or spend the money elsewhere. If the bill is enacted, the state would not be obligated to make annuity payments and a person would have no legal rights to them except for payments already received.

It is clear that an individual has no property interest in a permanent fund dividend payment other than that created by statute. Accordingly, the legislature can set up the statutory scheme so that a person has no vested interest in receiving an annuity payment if that person elects to take an annuity credit instead of a cash permanent fund dividend. In discussing the nature of these kinds of property rights, the United States Supreme Court has said:

To have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it.

* * *

Property interests, of course, are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law -- rules or understandings that secure certain benefits and that support claims of entitlement to those benefits. (Emphasis added).

Board of Regents v. Roth, 408 U.S. 564, 33 L.Ed 2d 548, 561, 92 S.Ct. 2701 (1971) (nontenured employee of state university has no property interest in job that would require hearing before dismissal without cause). In other words, an individual has no vested right to benefits from the state unless the statutes creating those benefits create such an entitlement. AS 43.23.130(f) makes it clear that the annuity program is not an entitlement. Thus, if a person were to select an annuity credit under the bill, they would do so knowing that, under the provisions of the bill, they have no

Representative Albert P. Adams
February 8, 1985
Page 4

right to sue the state if they never receive an annuity payment.

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

KBL:ojb
J11/067

Not an entitlement

can't sue bec/ you realize
that the st. is under no
obligation to ever get it.

Administration Criticism of Annuity Plan

- * 3% escalator has no economic justification
- * annuity plan has nothing to do with the Alaska Longevity Bonus program; it is a completely separate proposal (current recipients are grandfathered into current ALB program at current payments)
- * after the initial years of "front-loading", the plan likely loses its tax shelter features;
- * a tax shelter program is neither necessary nor appropriate for state government;
- * regarding participation, the plan likely won't be attractive for low-income people and young people; in fact, the architects of the plan estimate only a 30 percent participation rate;
- * as an investment, the plan is not that attractive:
 - the annuitant does not own the annuity
 - not part of the estate if death occurs
 - no capital gain
- * the plan does not address the problem experienced by low-income persons in terms of Old Age Assistance, SSI and Medicaid payments;
- * the front-loading costs are a bad use of precious revenues that do nothing for basic needs;
- * the plan does not protect the Permanent Fund;
- * it is untested;

According to Marsha Hubbard, the plan would be more acceptable if it did not depend on any use of General Fund or Permanent Fund money; this is the biggest criticism. Without the front-loading, however, the architects of the plan fear participation would be even less. Mandatory participation is unacceptable to Jay Hammond, Rick Halford, Al Adams, and probably others. Lisa Rudd does not support any plan funded by PF. Adams has publicly expressed support for the Administration needs-based proposal, but mostly because he did not want to support the annuity plan. He is likely to support other options. His bottom line will be at least continuation of the existing program for another year beyond the June 30, 1985 sunset.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

S-5A 1-24-85 8:35 am
" 1-25-85 3:30 pm
" 1-29-85 8:35 am

WORK ORDER REQUEST FORM

114 - 1835

KEYWORDS: longevity bonus

ASSIGNED TO Levy

REQUEST FOR: BILL RESOLUTION RESEARCH OTHER

SUBJECT Longevity Bonus

REQUESTED FOR Sen. Rodey BY Roger Lewis EXT. _____

* DELIVER TO Sen. Rodey TAKEN BY Levy

INSTRUCTIONS, EXPLANATIONS Prepare a bill to continue the longevity bonus in its present form until June 30, 1966.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH _____

RETURN _____

_____ TO REQUESTER

APPROVED: SGE Director, Legal Services

REVIEWED _____

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

IN 03/04/66 DUE _____

TYPED - Draft _____ DATE _____

Final _____ DATE _____

PROOFED _____ DELIVERED _____

DRAFT

FINAL

SB

56

(FILE 2)

OVERVIEW 2/21/85

BILL CONTACT/ACTION

SB 56 Hearing # 1

DATE	CONTACT/ACTION
	Governor invited Govt notified
	Sponsor invited Alford invited
	Pat statement / prepare 8-hearing
	agenda to hand-out.

MEMORANDUM

TO: Senate Judiciary Committee Members
FROM: Committee Staff
DATE: February 21, 1985
RE: SB56 Hearing #1 - Overview

Enclosed you will find the following information:

- * CS for SB56 (State Affairs)
- * Sectional Analysis
- * Senate State Affairs Letter of Intent on SB56
- * Department of Administration - Fiscal Notes and Position Paper
- * Department of Revenue - Position Paper and Fiscal Notes
- * State Special Committee on Longevity Bonus - Comments on Senate State Affairs Committee Consideration of Annuity Bill
- * Report to the Fourteenth Legislature and Governor Bill Sheffield from the State Special Committee on the Alaska Longevity Bonus Program
- * Dept. of Health + Social Services Position Paper and Fiscal Notes

SECTIONAL SB 56 (SA)

SECTION 1

Findings and Purpose

SECTION 2

A parent, guardian, or other authorized representative may elect to receive an annuity share on behalf of the eligible minor or individual in lieu of a cash dividend.

SECTION 3

A person who is eligible to receive a permanent fund dividend may elect to receive an annuity share in lieu of a cash dividend. Alternatively, a person may elect up to 75% in cash and the remainder as a annuity credit.

SECTION 4

The Commissioner of Revenue shall adopt regulations establishing the process for determining eligibility of individuals for permanent fund dividend.

SECTION 5

The permanent fund application form shall be prepared to allow an applicant to elect to receive cash in lieu of a permanent fund dividend.

SECTION 6

If a public agency claims a cash dividend on behalf of individuals, the public agency shall hold the dividend in trust for the individual.

SECTION 7

The state is not responsible for a guardian or parents decision for an individual on whether to take an annuity credit or cash dividend.

SECTION 8

The permanent fund dividend application form shall be prepared to allow an applicant, other than a person who is 65 before January 1, 1986 to elect to receive cash in lieu of a permanent fund dividend.

SECTION 9

Conforms the penalties and enforcement laws to include annuity credits.

SECTION 10

Sets up a procedure so if a permanent fund dividend is credited to an individuals account erroneous a debit can be made against the account. If the credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debit must be made within 3 years.

SECTION 11

Adds duties to the Department of Revenue to maintain records of annuity shares for individuals and adopt regulations (to the extent allowable) to structure the annuity program so that annuity benefits are not taxable to people until they actually receive the annuity money.

SECTION 12

Allows only cash payments exempt from attachment for collection of debt.

SECTION 13

Allows only cash payments for those ordered by the courts or attached for collections.

SECTION 14

Conforming language to contain annuity credits within the eligibility laws and regulations for public assistance,

SECTION 15

New definition of permanent fund dividend to include annuities.

SECTION 16

Establishes the Annuity Investment Fund within the state treasury. An amount, equal to the permanent fund dividend multiplied by the number of persons electing to receive an annuity share, shall be annually credited to the Annuity Account. The Legislature may appropriate either general funds or earnings from the undistributed income account in the Alaska Permanent Fund. The definition of permanent fund

dividend is amended to include annuities. Establishes the Annuity Fund. Money in the Annuity Fund is appropriated by the Legislature to pay annuities. An individual who holds one or more annuity shares may receive an annuity upon reaching the age of 65. The annuity will be paid monthly using a straight life annuity with a defined contribution plan. If the annuitant dies before age 65 a lump sum payment is made to the beneficiary. If the annuitant dies after age 65 the annuity is cancelled.

SECTION 17

Deletes the dollar amount in the Longevity Bonus program.

SECTION 18

Makes the Longevity bonus payment \$250 plus a 3% annum minus the maximum possible annuity.

SECTION 19

Adds people residing in nursing homes, and the nursing home wing of of Pioneer Homes as unqualified persons to receive Longevity bonus payments. (This is to protect those people on Medicaid who were adversely impacted by Federal regulations)

SECTION 20

Repealers of existing Longevity Bonus Program

SECTION 21

Repealers of existing Longevity Bonus Program

SECTION 22

This act applies to Permanent Fund dividends for years beginning after December 31, 1985.

SECTION 23

Immediate Effective Date


SENATE STATE AFFAIRS COMMITTEE
LETTER OF INTENT
ON SENATE BILL 56

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.


Senator Mitch Abood, Chairman
Senate State Affairs Committee

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (SA)
 Title: An act amending the longevity bonus program
 Sponsor: State Affairs
 Requestor: Judiciary
 Date of Request: 2/20/85

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

Operating	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
100 Personal Svcs		60.0	63.0	66.2	69.5	72.9
100 Rtmnt & 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		750.0				
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		834.5	88.7	93.2	97.9	102.7
TOTAL	-0-	834.5	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
 Division: Retirement & Benefits

Phone: 465-4470

Date: 2/21/85

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 2-21-85

Distribution (by Agency preparing fiscal note):

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

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

February 21, 1985

IV: Analysis: This Fiscal Note addresses costs in the Labor Services Program Category. The cost of the annuity program is anticipated to be borne entirely by the participants. We estimate that approximately four 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 two staff members 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 verify ages of those who elect to participate in the annuity program. This is critical.

We estimated an inflation rate of 5% in all categories. Further, we assumed that "other funds" would be available for FY 86 costs.

We estimate that four 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)
Clerk: Accounting Clerk III
(6 months FY86, full-time thereafter)

We propose that a notification will 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 150,000 participants. This cost is estimated to be \$41.0 for FY 86.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56 (SA)
 Title: An act amending the
longevity bonus program
 Sponsor: State Affairs
 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		124.5	164.7	173.0	181.6	190.7
100 Rtmnt & Bnfts						
200 Travel						
300 Contractual		61.0	67.1	73.8	81.2	89.3
400 Supplies		10.6	12.7	15.3	18.3	22.0
500 Equipment		16.0				
600 Land & Struct						
700 Grants, Claims						
700 TRS Match						
TOTAL OPERATING	-0-	212.1	244.5	262.1	281.1	302.0

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	212.1	244.5	262.1	281.1	302.0
TOTAL	-0-	212.1	244.5	262.1	281.1	302.0

POSITIONS: -0-

FULL-TIME		4	4	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared By: J.K. Humphreys, Director Phone: 465-4470
 Division: Retirement & Benefits Date: 2/21/85

Approved by Commissioner: Lisa Rudd Date: 2-21-85
 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 (State Affairs)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

February 21, 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 \$750,000 and would be a capital appropriation from "other funds".

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.

We estimated an inflation rate of 5%. Further, we assumed that "other funds" would be available for FY 86 costs.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

Page 1 of 2

REQUEST

Bill/Resolution No.: CSSB 56(SA)
 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

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						
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						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	10.0	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	10.0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	10.0	0	0	0	0

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: E. Louis Keller, Director
 Division: Pioneers' Benefits

Phone: 465-4400

Date: February 19, 1985

Approved by Commissioner: Lisa Rudd
 Agency: Department of Administration

Date: 2-21-85

Distribution (by Agency preparing fiscal note):

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

CSSB 56(SA)
Fiscal Note Analysis
Prepared by Division of Pioneers' Benefits
Department of Administration
February 19, 1985

ASSUMPTIONS

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

Two payment systems will be run in the Division of Pioneers' Benefits. 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.

The Longevity Bonus program would need additional resources for modifications to data processing files.

FY 86 Administrative Costs (Start-up)

Contractual Services	\$10,000
Computer System Modification by Contractor	
Printing Costs already in 86 Budget	

FY 87 Administrative Costs (Operations)

No Additional Cost

POSITION PAPER

CSSB 56 (STATE AFFAIRS)

This bill would affect three departments of state government, i.e., administration, revenue, and health and social services.

Basically the bill would amend the longevity bonus program and the permanent fund dividend program, establish an annuity program, and provide for an effective date. The effect of the bill would be to phase out the general funded longevity bonus program and replace it with individual annuity accounts funded primarily by deferral of participants permanent fund dividends by approximately the year 2003. The bill would also authorize the legislature to "front-load" the annuity fund with annual appropriations.

The bill "grandparents" in those citizens who are 65 years of age before January 1, 1986 in the longevity bonus program for their lifetime.

Following are some of the potential problems of administration, areas where it might be desirable to amend this bill before passage, and possible legal and social difficulties with the bill as proposed.

1. On page 2, under Section 3, AS 43.23.005 (d) beginning in midline 22 reads, "Alternatively, a person may elect to receive not less than 25 percent of the dividend in cash and the remainder as an annuity credit." This could create a problem of where a citizen may request any amount of permanent fund dividend in cash as long as it is more than 25 percent of the whole.

To amend the section as follows would greatly enhance the ability of those charged with administrative responsibilities to administer the fund and make elections simpler for participants. "Alternatively, a person may elect to receive 25, 50, or 75 percent of the dividend in cash and the remainder as an annuity credit." It is possible this could be addressed by regulations.

2. Page 6, Section 11, AS 43.23.055 (5) causes the commissioner of revenue to provide the commissioner of administration with information necessary to maintain individual annuity account records and administer the annuity program.

The regulations that would be written must meet the needs of both departments and at least the following information must be transmitted to the commissioner of administration: the verified age of the participant; the address of participant; the social security number of the participant; the particular election made by the participant; i.e., amount of cash or annuity credit; any deferrals that may affect the participant's account; the funds earnings; and the amount of any appropriations to the fund for distribution.

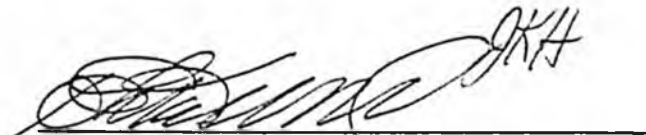
Much of the above information would have to come from the application for the permanent fund dividend and the verification of age would need to be accomplished by the department of revenue.

3. On page 8, Section 16, AS 43.23.110 (b) the legislature is authorized, if they deem appropriate, to appropriate money from either general funds or earnings of the undistributed income account in the Alaska permanent fund into the annuity investment fund. This is a process of "front-loading."

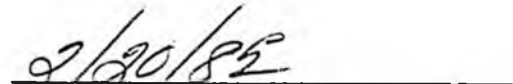
Inasmuch as the "front-loading" need not occur every year, or in any year, and inasmuch as it is the opinion of the longevity bonus committee's tax counsel that the permanent fund dividend is taxable in years when no "front-loading" occurs, the problem of record keeping becomes apparent.

4. On page 9, Section 16, AS 43.23.110 (b) (2) (3) the bill deals with two levels of increment earnings on individual annuity accounts. One level for persons age 18 through 35 and an escalating level for persons age 35 through 65.
5. On page 10, Section 16, AS 43.23.110 (e) the bill states that any costs of administration funded under this subsection will be allocated equally among all individual annuity accounts. Under this section it seems apparent that the writers of this bill have made the assumption that "front-loading" will occur at least during the first years of the program. If such "front-loading" should not occur during these initial years, sufficient funds may not be available for administrative costs.
6. The bill is vague on what happens to account balances of participants over the age of 65. If annuities vary from year to year, then do account balances also? When a participant becomes eligible to receive an annuity, what happens to that account balance? Does it get redistributed, or is a special reserve fund perhaps established? What if a participant over 65 dies? This lack of a definite cut off point greatly complicates the program and restricts the choice of participants.
7. On page 12, Section 19, AS 47.45.070 (2) under "Unqualified Persons" the bill states that participants become unqualified upon being admitted into a nursing home as defined in AS 08.70.180. This may raise the legal question of whether or not the state could disqualify an otherwise qualified annuity participant merely because that participant changes their place of residence, i.e., a nursing home.
8. It appears that it would be possible to provide for beneficiaries of those over the age of 65 without incurring undue costs. This would answer the concerns many have expressed.


At this point, the Department of Administration is maintaining a neutral position on this bill.



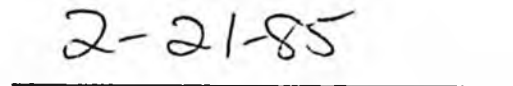
E. Louis Keller, Director
Division of Pioneers' Benefits




Date



Commissioner Lisa Rudd
Department of Administration



Date

 DEPARTMENT OF REVENUE -

The proposed legislation directly impacts four divisions within DOR:

- Division of Administrative Services
- Division of Enforcement
- Division of Treasury
- Division of Public Services

For purposes of convenience, we have consolidated our responses into categories instead of along division lines:

- I. Introduction - The Annuity Program
- II. Section-by-Section Analysis of Amendments to AS 43
- III. Proposed Amendments
- IV. Division(s) Fiscal Notes

I
Introduction
The Annuity Program

Annuity Program

Under the annuity program established by SB 56, an eligible Alaska resident under the age of 65 as of January 1, 1986 may forego all or a portion, but not less than 25%, of their permanent fund dividend in exchange for a credit to an individual annuity account. Upon reaching the age of 65, that person will receive a monthly annuity for the remainder of their life that is based on the accumulated value of their annuity account, including interest, at age 65.

As it does currently, the Enforcement Division of the Department of Revenue will determine eligibility for a dividend. Under SB 56 the division of Administrative Services will provide to the Department of Administration, the amount, if any, each resident's annuity account would be credited as a result of electing such credit rather than a cash dividend. The total of such credits will be transferred to the annuity investment fund from the dividend fund.

The Treasury Division of the Department of Revenue will invest the annuity investment fund. Investments permitted are the same as those of the Public Employees Retirement Fund except that the fund may also be invested in commercial insurance contracts. *Periodically, the Treasury Division will notify the Department of Administration of the income realized by the fund. The Department of Administration will allocate this as a pro-rata credit to each person's annuity account based on the balance in their account.

At age 65, a monthly annuity payment will be established for each individual. It will be determined by either the annuity available on the market which can be purchased with the amount in the annuitant's account or an amount determined by the Department of Administration based on then current interest rates, mortality tables, and amounts on the account if an "in-house" option is chosen to meet the liability for annuity payments. Under the "in-house" option the State would continue to manage the investment of the funds in annuitants' accounts at age 65 and thereafter.

Each year, the legislature may appropriate from the annuity investment account the amount required to make the monthly payments to annuitants who are 65 or older. The amounts required will be transferred to the Department of Administration which will make the payments.

The appropriation could be of "the amount required by AS 43.23.130" or the Department of Administration could provide an estimate each year which would be inexact due to deaths during the year of annuitants or those who would become annuitants in that year.

Comments

The private insurance option transfers from the fund the risk of inadequate earnings on post-65 annuitants' accounts to cover liabilities for payments. Of course the risk is not totally avoided since there is always some credit risk that the insurer will fail.

However, by incorporating the private insurance option into the investment fund as an investment, a conflict can arise with AS 43.23.110(c) which required crediting annuity accounts with investment fund earnings. If average fund rate-of-return is less than that on the insurance contracts, full payment of monthly annuities to those over 65 cannot be made while also crediting under-65 accounts at the average rate of return. This is because in this case the average rate of return on under-65 accounts would be higher than the actual returns. Of course, the credits can be made since they don't require cash payment and over time the problem may be eliminated by years on which average fund earnings exceed insurance contract rates of return.

A more definitive solution might be to credit under-65 accounts only with earnings net of annuity payments, to establish separate funds for those over and under 65, or to make the insurance contracts simply contracts of the Department of Administration and not investments of the annuity investment funds. In the case of "in-house" management, similar conflict would exist AS 43.23.110(c) when assumed rates of return and mortality differ from that realized.

The other major aspect of the annuity program which may present technical problems is the allocation from "front-loading" in AS 43.23.110(b)(2) and (3). If the base amount in (b)(2) is a separate

appropriation or allocation in the legislation appropriating the "front-loading", then that base amount can be determined. In any event, (b)(3)'s derivation remains ambiguous.

II

Alaska Department of Revenue Section by Section Analysis of SB 56 January 21, 1985

- Section 1: Intent section, no effect on Department of Revenue except that paragraph (4), lines 3-5 sets up the relationship of two choices: annuity is the default unless applicant chooses cash. This affects form design and programming.
- Section 2: Amends AS 43.23.005(c). Replaces the word "payment" with "dividend," for consistency reasons. There is no direct effect on the Department of Revenue.
- Section 3: Amends AS 43.23.005 by establishing alternatives for PFD applicants:
- a) If person is 65 or older on December 31, 1985, there is only one choice - 100% cash dividend.
 - b) If person is under 65 on December 31, 1985, there are two basic choices:
 - 1) 100% cash.
 - 2) At least 25% cash, and between 1 and 75% annuity.
- Section 4: Amends AS 43.23.015(a). This change would appear to have no effect on the Department of Revenue unless the intent is to limit the Department of Revenue's ability to adopt regulations defining residency, etc., as opposed to just establishing the process.
- Section 5: Amends AS 43.23.015(b) by changing the affidavit printed on the application, so that the applicant signs a statement that he or she understands that they will lose all dividends and interest credited to his/her annuity account. It should be amended to say the person also loses all the legislative appropriations credited under AS 43.23.110 (Section 16 of this bill). This represents a major forms change, and more importantly, creates substantial collection problems leaving many questions unanswered. For example, it is clear that the Department of Revenue can use collection procedures to collect money paid to applicants as cash dividends and within the limits of Section 10, as well as collect funds transferred to the Department of Administration based on an option for annuity, however what about:

- 1) Collecting annuities already paid to a person over 65? Who collects it and how?
- 2) If Revenue attempts to retrieve money from the Department of Administration after conviction or discovery of error, which agency goes after money from the annuitant? Under what provision of law? What if there aren't enough funds in the dividends account?

Section 6: Amends AS 43.23.015(e) in an attempt at consistency. But given the extreme difficulties that exist in administering a trust for persons in custody of a public agency (typically children in custody of the Department of Health & Social Services) and the animosity that is generated in the parents, giving a state agency the option of irrevocably placing a custodial person's dividend in an annuity account seems certain to generate extreme animosity from those parents and potential law suits for the recovery of the funds.

Section 7: Amends AS 43.23.015(f) for consistency with the new concept of the PFD annuity. It is important to note that this does nothing to correct the potential problem mentioned in the analysis of Section 6. Otherwise there is no effect on the Department of Revenue.

Section 8: Amends AS 43.23.015 by adding a paragraph directing the Department of Revenue to provide an option on the PFD application. For consistency's sake, the wording on line 16-17 should be changed to reflect the wording of the option as given in Section 3. Section 8 implies only two choices: 100% cash or 100% annuity. This doesn't square with Section 3, which provides that every applicant receives at least 25% of the dividend value in cash. It should also be noted that the use of the term "permanent fund dividend" on line 17 in juxtaposition to the term "cash" implies that the term "permanent fund Dividend" is defined as meaning annuity credit. This is not the definition provided in Section 15. The only effect on the Department of Revenue of this section is to modify the form and explain the choices to the public.

Section 9: Amends AS 43.23.035 to reflect the new concept of the PFD annuity option. It is unclear as to whether "additional credits" on line 24 means an allocation of future legislated appropriations and/or interest accrued to original annuity credits. The language here should be coordinated with the language in Section 5. Again, there are enforcement/collection problems. What if annuity payments have already started and there is not enough left to pay back all the erroneously credited dividends? How is the balance collected, and by whom? To what fund(s) are collections credited?

Section 10: Amends AS 43.23.035 to provide a mechanism for the Department of Revenue to collect dividends erroneously credited to the annuity investment account. This section also distinguishes between the remedy available to the Department of Revenue when the error is the fault of the state and when the error is the fault of the individual. It is difficult to evaluate which date starts the clock - date credited, or date discovered.

Section 11: Amends AS 43.23.055 to redefine the duties of the Department of Revenue to reflect the new concept of a PFD annuity option. Lines 19-20 again implies two choices - 100% cash or 100% annuity. Under the provisions of Section 3, everyone receives at least 25% cash. Lines 11-13 on page 6 requires the Department of Revenue to provide information to the Department of Administration necessary to maintain the individual annuity account records and administer the annuity program. It would appear that this information exchange would consist of the following:

- 1) Each week, starting with the first PFD payment run in October, the Department of Revenue would notify the Department of Administration (via a computer tape) of those applicants who came up for payment and who chose that a percentage of their dividend be credited to their annuity account. This will allow the Department of Administration to credit the account with the proper amount and as of the date on which the applicant would have otherwise been paid cash. This reporting will go on weekly as long as the Department of Revenue is making payments from that particular year's file.
- 2) On a regular basis, the Department of Revenue would have to provide the Department of Administration with the interest rate that reflects the earnings of the annuity investment fund.
- 3) On a case by case basis over a 10-year period the Department of Revenue - Enforcement would notify the Department of Administration of erroneous payments and seek reimbursement from the annuity investment fund.

Sections 12 & 13: Amend AS 43.23.065 to reflect the new concept of a PFD annuity option. The general effect of Sections 12 and 13, taken together, seems to be that the portion of a dividend which is taken as a credit to an annuity is not subject to levy, execution, garnishment, attachment, or other remedies for the collection of debt. As a statute change unrelated to the annuity concept, Section 12 provides for 100% attachment of a cash dividend to satisfy a court-ordered restitution under AS 12.55.045 - 12.55.051 or 12.55.100. It is important that the court order will serve to attach

the dividend only if served on the Department of Revenue timely, as in the case of any other attachment order (CSED, IRS, etc.). Section 13 goes further by providing that in the case of a CSED arrearage or in the case of a civil judgement or order of restitution, the Department of Revenue or the Alaska courts, respectively, may require the defendant to take his/her entire PFD in cash. First of all, it is important to note that neither the Department of Revenue nor the court can force a person to apply for a dividend, but can force a selection of cash once the applicant has filed. There are two potential problems with Section 13:

- 1) The Department of Revenue cannot determine that an applicant meets the criteria of Section 13 until either CSED or a court agency serves an attachment order on the Department of Revenue - Enforcement, and in the case of CSED, indicating a past-due debt, and
- 2) Given that the overall thrust of Sections 12 and 13 is to exempt dividends selected as annuity credits from attachment, in the case of a person who owes (under Section 13) less than the amount of the total dividend, and originally chose the annuity option, it would seem that only an amount necessary to satisfy the debts under both the proposed AS 43.23.065(b) and (c) could be converted to the cash option, with the residual amount still protected from general attachment. This needs to be clarified.

Section 14: Amends AS 43.23.075 to reflect the new concept of a PFD annuity option. There is no effect on the Department of Revenue.

Section 15: Amends AS 43.23.095(b) to change the definition of "permanent fund dividend" to include the PFD annuity option. There is no effect on the Department of Revenue, save substantial changes to existing regulations.

Section 16: This section establishes the Annuity Program, to be administered by the Department of Administration. Although this section of the bill has very little impact on the Department of Revenue - PFD BRU, the following thoughts are offered for consideration:

- 1) AS 43.23.110(a), as proposed, provides for the gross amount selected as annuity credits to be transferred from the PFD fund to the annuity investment fund annually. As previously noted, the Department of Revenue could provide a magnetic file weekly as annuity participants come up for payment. The question is when does the interest envisioned in the proposed AS 43.23.110(c) begins to accrue: at payment of the residual cash dividend, or at some annual date upon transfer of the gross amount.

2) AS 43.23.110(b), as proposed, provides that the Legislature may appropriate additional funds to the annuity investment fund. Since this appropriation will likely be made during January - May of a given year, it should be clarified as to whether the appropriation is to be allocated between annuity participants of that same calendar year, or amongst those who selected the annuity option for the prior calendar year. If as the bill implies, the former is the case, then the Legislature will be making an appropriation without prior knowledge of the number of participants or the total amount of dividends selected as annuity credits. The applications are filed between April 1 - June 30 and the information is not on computer file until approximately July 31.

AS 43.23.110(b)(1), as proposed, appears to have the same constitutional flaws that caused the Legislature to include the children of Alaska in the PFD program in 1982.

AS 43.23.110(b)(2), as proposed, does not specify what portion of the appropriation should be used as the "base" amount. Also there needs to be definitions of the formula for determining the base amount, i.e. half the appropriation divided by the number of eligible annuitants.

AS 43.23.110(b)(3), as proposed, is a very confusing paragraph and makes no comprehensible sense. The formula for showing the appropriation must be clarified and simplified to the point that it can be easily explained to the public, in written form in the application booklet, in person during the required rural assistance program, and to the tens of thousands of Alaskans who will be asking the Department of Revenue's Public Services Assistance Centers for a lucid explanation.

AS 43.23.110(b)(4), as proposed, again implies that a person has an option of opting for 100% annuity, in contradiction of Section 3.

AS 43.23.110(c), as proposed, requires the Department of Revenue to provide the Department of Administration with the appropriate interest rate. The question unanswered is how often? The other implication is that the monies in the annuity investment fund are not to be co-mingled with other monies in the General Fund, but truly invested as a separate fund. This needs to be nailed down.

AS 43.23.130, as proposed, describes the benefit PFD applicants would receive in exchange for the option of receiving their whole dividend in cash, versus accepting up to 75% of the dividend in annuity credit. For this reason, it is extremely important that this section be very clear

to the reader, and it is. In (f) of this section, there appears to be an attempt to shelter the original dividend given up, in part, for an annuity credit, from taxation by the federal government as income in the year the dividend was available in cash. The doctrine of "constructive receipt" would hold the dividend taxable in the current year and this will have to be pointed out to recipients of the dividend at the time their dividend is paid, whether it is paid in credits or in cash.

Section 22: Provides an implementation schedule for the provisions of this bill and makes the Act applicable to PFD years 1986 and thereafter. This defines the time period in which the Department of Revenue has to accomplish all of the necessary program changes. The Department of Revenue will have from the date this bill becomes law until March 31, 1986. This accelerated schedule will be costly and will make it very difficult to get everything on line by the 1986 filing period.

Section 23: Provides an effective date.

III

Alaska Department of Revenue
Suggested Amendments to SB 56
January 21, 1985

Submitted by Division of Administrative Services:

Eliminate Internal Contradictions Regarding Cash vs Annuity

1. Section 1 and Section 3 are contradictory as to the options available and should be modified.

Page 2, lines 3 - 5 implies that the entire dividend is applied to the annuity account absent a conscious election by the applicant.

Page 2, lines 22-24 says that the only choice other than 100% cash is 25% or more cash and between 1 and 75% annuity. Per Section 3, there does not appear to be a 100% annuity option.

2. Page 4, lines 16-17 should be amended to reflect the same wording of Section 3, to eliminate the contradiction regarding the available options.

Making Annuity/Cash Election Irrevocable

3. Page 5, lines 17-20 like Section 1, implies only two choices: 100% cash or 100% annuity. This should be amended to square with Section 3.
4. It is important that the election be binding and irrevocable. If people change their mind, make a mistake, or whatever, there should be no opportunity to change election. Otherwise, the cost of this program will go up dramatically.

Limit Choice

5. Page 2, lines 19-25 should be amended to limit the choice of hybrid payments to:
 - a) 100% cash,
 - b) 25% cash, 75% annuity credit,
 - c) 50% cash, 50% annuity credit, or
 - d) 75% cash, 25% annuity credit.

As it currently reads, there are at least 76 real options, significantly complicating the administration of the program.

Avoidance of Debts to State Agencies

6. Page 7, line 13 should be amended by adding a new subsection (d) to include debts to a state agency as a valid reason for compelling an applicant to elect a cash dividend.

Submitted by Division of Treasury: Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

4. Page 10, line 23

"received" should be "receive"

Treasury Division's Comments on SB 56

1. Page 6, line 15

"(a)" should be inserted before "Fifty."

2. Page 8

Sec. 43.23.110(a) should include the statement that "Income of the annuity investment fund shall be added to the principal of the annuity investment fund." However, the Attorney General in a November 30, 1982 opinion expressed some doubt about whether a retention of investment earnings by a fund is permissible under the Constitution's prohibition of dedicated revenues.

3. Page 9

Sec. 43.23.110(b)(2) and (3) are not clear as to how the credits for "front-loading" are to be determined.

4. Page 9, line 20

"rate of interest" should be amended to "rate of return"

5. Page 10, line 6

Add "purchased from insurance companies which have a Best's Policyholders' Rating of A or better and belong to Best's financial size Group XV at the time of purchase" at the end of the sentence.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 56 (SA)
 Title: An act amending the Longevity Bonus program
 Sponsor: Ray, Halford, et al
 Requestor: Senate Judiciary
 Date of Request: 2/15/85

FISCAL DETAIL

Agency Affected: Revenue
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: BRU, Program of 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
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	229.2	-	-	-	-
200 TRAVEL	-	2.5	-	-	-	-
300 CONTRACTUAL	-	73.5	-	-	-	-
400 SUPPLIES	-	1.0	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	306.2	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	306.2	-	-	-	-
<u>TOTAL</u>	-	306.2	-	-	-	-

POSITIONS:

FULL-TIME	-	4	-	-	-	-
PART-TIME	-	3	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: *E. B. Jones* Ervin B. Jones, Director
 Division: Administrative Services

Phone: 465-2313
 Date: _____

Approved by Commissioner: *Mary J. Skudale*
 Agency: Revenue

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

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

CSSB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
February 19, 1985

As can be seen from the attached analysis of the bill, section by section, the primary impact on the Administrative Services component of the Permanent Fund Dividend BRU is going to be in Data Processing. This impact can be summarized in three areas:

- 1) The need to completely re-program the 1985 PFD system, with its approximately one hundred DP programs, both batch and on-line. These programs are for both the IBM mainframe and for the WANG VS system that is used in Anchorage and in Juneau.
- 2) The dramatic changes wrought by this bill will push the Department to combine all years in some fashion. Carrying multiple, separate systems on-line, and maintaining these separate systems has become very costly in terms of data processing resources. Revenue has been looking at a modified system that allows both look-up and interaction with prior year accounts, but the addition of the annuity based 1986 system will severely complicate that system design.
- 3) The addition of the annuity choice and its related edit requirements will impact the data entry section.

The incremental costs of performing these functions between the assumed effective date of approximately July 1, 1985 and the end of FY86 is estimated as follows:

Personal Services

- 1) reprogram for 1986 PFD system
 - 1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836
 - 1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209
- 2) Project to consolidate 1986 system with
prior four years (online, same as above)
 - 1 Analyst/Programmer V, R21, @ \$4,653.05/Mo
including salary and benefits for 12 months \$55,836
 - 1 Analyst/Programmer IV, R19, @ \$4100.75/Mo
including salary and benefits for 12 months \$49,209
- 3) Data capture of additional data required
on PFD applications.
 - 3 Data Entry Clerk I's, R8, @ \$2,120.77/Mo
including salary and benefits, for 3 Mos each
\$19,087

CSSB 56
Fiscal Note Analysis
Department of Revenue
PFD BRU - Administrative Services Component
February 19, 1985

TOTAL Personal Services		\$229,200
<u>Travel</u> (all 3 projects)		\$2,500
To pay travel/per diem costs of system analysts attending meetings in Anchorage and Juneau to map out the needed changes to the current PFD system.		
TOTAL Travel		\$2,500
<u>Contractual</u>		
1)	To contract with Wang Labs, Inc to modify the existing garnishment system for PFD's. The Analyst/Programmer who built the original garnishment system currently works for Wang Labs, Inc as a systems consultant. Assuming he was available, he could redesign the system much faster than any other programmer available. This amount is calculated at \$80/hour X 8 hour days X 5 day weeks X 16 weeks	= \$51,200
2)	4 Wang 4250 workstations rented for 12 Mos, @ \$398/Mo including emulator boards @ \$805 each, so they may be used as IBM terminals or Wang terminals	= \$22,300
TOTAL Contractual		\$73,500
Supplies		1,000
TOTAL Administrative Services Cost		\$306,200

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CS SB 56 (SA)
 Title: Longevity Bonus, Permanent Fund Dividend and Annuity
 Sponsor: Senate State Affairs
 Requestor: Senate Judiciary
 Date of Request: February 15, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected: Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	9.3	11.1	14.8	19.3	24.7
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	9.3	11.1	14.8	19.3	24.7
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER Annuity Investment Fund	-	9.3	11.1	14.8	19.3	24.7
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: See attached analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: February 15, 1985

Approved by Commissioner: *William A. Steudale*
 Agency: Department of Revenue

Date: 2/21/85

Distribution (by Agency preparing fiscal note):

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

CS SB 56
Fiscal Note Analysis

Costs in this fiscal note are based on the following projected balances of the Annuity Investment Fund:

<u>Fiscal Year</u>	<u>Average Fund Balance (\$ Millions)</u>
1986	\$ 53
1987	88
1988	159
1989	244
1990	347

These projections assume three years of front-loading, 30% participation by eligibles, and 12% rate of return on investments.

Based on these average balances, the following costs would be incurred (\$000):

<u>Fiscal Year</u>	<u>Securities Custody</u>
1986	9.3
1987	11.1
1988	14.8
1989	19.3
1990	24.7

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date 02/22/85

REQUEST

Bill/Resolution No: CS SB56(SA)
 Title: An Act Amending the Longevity Bonus Program & Permanent Fund Dividend Program Establishing an Annuity Program and Providing an Effective Date.
 Sponsor: Ray (et all)
 Requestor:
 Date of Request: January 22, 1985

FISCAL DETAIL

Agency Affected: 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						
100 PERSONAL SERVICES	-	78.3	164.3	174.2	184.7	195.8
200 TRAVEL	-	13.5	25.2	27.2	28.8	31.1
300 CONTRACTUAL	-	404.5	414.6	138.5	138.7	139.0
400 SUPPLIES	-	2.0	.8	.9	1.0	1.1
500 EQUIPMENT	-	5.0	-0-	-0-	-0-	-0-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	503.3	604.9	340.8	353.2	367.0
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	503.3	604.9	340.8	353.2	367.0
TOTAL	-	503.3	604.9	340.8	353.2	367.0

POSITIONS:

FULL-TIME	-	5	5	5	5	5
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: See attached.

Prepared By: Sally Smith, Director
 Division: Public Services

Phone: 465-2392
 Date: February 22, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 2/26/85

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

ASSUMPTIONS

490,000 eligible individuals
1986 application period, beginning April 1

PROGRAM SUMMARY

Public education and application assistance will be provided in rural and urban areas. Phone, letter and computer response to inquiries as well as application assistance will be provided at Public Service Centers in Anchorage, Fairbanks and Juneau, and forms distribution and application assistance will be available at various Legislative Information and Governor's Offices throughout the state.

Hearings on regulations to be promulgated for the new law will be conducted in various cities (Juneau, Anchorage, Fairbanks, Nome, Kotzebue, Barrow, Kodiak and Ketchikan).

Technical training will be provided for those individuals who will be assisting the general public in completing their applications.

EXPENDITURES

FY '86 FY '87

This revision corrects erroneously calculated personal services.

Personal Services

2 FT Document Proc. Clk 3 in Anchorage	30.5	64.1
2 FT Document Proc. Clk 3 in Juneau	30.5	64.1
1 FT Document Proc. Clk 3 in Fairbanks	<u>17.3</u>	<u>36.1</u>
	78.3	164.3

The experience with the Permanent Fund Dividend start-up was that we had an insufficient number of telephone lines and insufficient personnel to handle the volume of "walk-ins." Being available to explain the program adequately could prevent the need to reopen filing as happened with 1982 and 1983 PFD's.

Travel

Regulation Hearings

Two employees to Anchorage, Fairbanks, Nome, Kotzebue, Kodiak, Barrow and Ketchikan	3.1	-0-
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Administrative

Anchorage, Fairbanks, and Legislative Information and Governor's Offices	<u>10.4</u>	<u>25.2</u>
	13.5	25.2

Contractual

*1/Advertising Campaign	250.0	50.0
Postage	10.0	11.0
*2/Long Distance Charges	100.0	250.0
Computer Terminals (2)	8.5	17.2
Space Rental (Anchorage, Juneau)	<u>36.0</u>	<u>86.4</u>
	404.5	414.6

Office Supplies

Supplies	2.0	.8
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Office Equipment

Desk, chair, filing cabinet, etc. for each new position	5.0	-0-
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FUNDING

The fiscal note from January 22, 1985 incorrectly shows the funding as being from general fund sources. More appropriately, these monies should be drawn from the Annuity Investment Fund. This revision reflects that change.

*1/Advertising

The experience of the Permanent Fund Dividend program is an indication of the need for adequate advertising. Because of inadequacies, the PFD filing period was reopened for both 1982 and 1983 filing years. Public Services currently spends \$50,000 on contracts to work in and with rural Alaska for filing assistance. Communities which no longer receive assistance would again need this contact.

A public awareness campaign would provide basic information on the change in program expectations while providing the public with phone numbers and names of contractors for further information.

*2/Long Distance Charges

When first calculating the figures, we erroneously figured the bulk of the calls came during the filing period which would likely be contained in FY '86. On closer scrutiny of our past experience we found that the major impact was during check distribution, later in the calendar year. To correct this error, figures for FY '86 and FY '87 have been reversed. Historically, once the program is fully implemented, the calls drop off. This drop should occur in FY '88.

POSITION TITLE Document Processing Clerk III				GRADE/STEP 10B	DEPT. UNIT G	PAGE/LINE	REV.	APPROV.	FILE
TYPE OF POSITION PFT	STAFF MONTHS 6	RP NUMBER	PEN NUMBER	BRU PRIORITY	LOCATION JBA	ELECTION DISTRICT	ELC.		
CONTINUATION LEVEL				JUSTIFICATION					
ADDITION									
TYPE OF EXPENDITURE			AMOUNT						
1			2		3				
PERSONAL SERVICES									
Salary			12,810						
Benefits			4,394						
Supplemental Benefits									
Fixed Benefits									
TOTAL PERSONAL SERVICES			01		17,204				
Travel			02						
Contractual			03						
Commodities			04						
Equipment			05		1,000				
Other									
TOTAL COST					18,204				
RECEIPT CODE		FUNDING SOURCE							
		Federal Receipts 1002							
		C.F. Hatch 1003							
		General Funds 1004							
		I-A Receipts 1005							
		Program Receipts 1028							
		Other							
		18,204							
FOR BSM USE ONLY									
KEY NUMBER									

REQUEST FOR
NEW POSITION

AGENCY Revenue
PROGRAM Revenue Collections & Management
BRU PFD
COMPONENT Public Services Operating

Page 1 of 1

Revised Date

FY 86

POSITION TITLE Document Processing Clerk III				RANGE/STEP 10B	BARG. UNIT G	PAGE/LINE	COY.	APPROV.	DIS.
TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION AWA	ELECTION DISTRICT 4	CCG.		
JUSTIFICATION									
CLASSIFICATION LEVEL		POSITION		AMOUNT					
1		2		3					
PERSONAL SERVICES									
Salary		22,716							
Benefits		7,792							
Dental Benefits									
Life Benefits									
TOTAL PERSONAL SERVICES		01		30,508					
Travel		02							
Contractual		03							
Supplies		04							
Equipment		05		2,000					
Other									
TOTAL COST				32,508					
FUNDING SOURCE									
Federal Receipts		1002							
G.F. Match		1003							
General Funds		1004							
Firm receipts		1005							
Program receipts		1009							
Other				32,508					
FOR OFFICE USE ONLY									
KEY NUMBER									

REQUEST FOR
NEW POSITION

AGENCY Revenue
 PROGRAM Revenue Collections & Management
 BRU PFD
 COMPONENT Public Services Operating

Page 1 of 1
 Revised Date _____

FY 86

Alaska Department of Revenue
Enforcement Division
Fiscal Impact of SB 56
January 21, 1985

The fiscal impact of SB 56 is \$-0- given the following assumptions.

1. Garnishment EDP programming changes can be accomplished at least three months before the 1986 payment schedule begins.
2. Orders of Restitution are served on the Division just as any other garnishment document, such as writs or Orders to Withhold.
3. Language is included that assures a creditor may not defeat a State agency by electing an annuity. If this is not done, the potential impact is a loss of revenue. Although not readily estimateable it is not anticipated to be significant.
4. Deposit and fund crediting procedures for collections of erroneously paid annuities are kept simple and/or allocation between funds are determined by the Department of Administration.

STATE OF ALASKA

Bill Sheffield, Governor

DEPARTMENT OF ADMINISTRATION

DIVISION OF PIONEERS' BENEFITS
PIONEERS' HOME-LONGEVITY BONUS
STATE SPECIAL COMMITTEE ON THE
ALASKA LONGEVITY BONUS PROGRAM

POUCH CL (MS 0211)
JUNEAU, ALASKA 99811
PHONE: (907) 465-4416

February 13, 1985

Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senators:

COMMENTS ON SENATE STATE AFFAIRS COMMITTEE CONSIDERATION OF ANNUITY BILL

The State Special Committee on the Alaska Longevity Bonus Program is aware that several changes were considered or made in the bill recommended by our committee when that bill (SB 56) was in the Senate State Affairs Committee. We therefore pass on to you our comments on these aspects of the bill.

1. The three percent escalator.

A motion was made and defeated in the Senate State Affairs Committee to delete the provision of the bill which provides that the Longevity Bonus be increased by 3% annually. Our committee recognizes that the 3% escalator is one of the most expensive features of the bill. The comparative costs estimated through the year 2034 are: 1/

1/ Cost estimates prepared by the Division of Strategic Planning, OMB, 2/7/85.

Committee bill (without front loading) 2/

	With 3% escalator	Without escalator
Nominal dollars	\$1,402	\$916
Constant 1985 dollars	784	566
Present value in 1985	617	464

Our committee included the escalator in recognition of the fact that the original longevity bonus was increased rapidly over time from \$100 to \$250. The escalator is not, however, an integral part of the overall structure of the bill. While we felt that pressure to increase the amount of the bonus is inevitable, we hoped that a modest statutory increase would deflect this pressure on the legislature, and that in the long run the provision would prove to be fiscally conservative. While the committee would prefer that the provision remain in the bill, we recognize the fiscal realities which the legislature now faces.

2. Death benefits for those who die prior to age 65.

Our committee did not include death benefits and made receipt of annuity payments dependant upon survival in part for simplicity and in part because the longevity bonus is available only to those who survive. Without death benefits, those who survive would receive a higher annuity because the contributions of those who die would be spread among survivors. We understand that during teleconference hearings there was considerable public testimony that younger individuals would be reluctant to participate in the program if they thought their contributions would be lost upon death. Certainly, participation is a very important consideration.

Our committee's projections as to the phase out of the longevity bonus payments were made by including the "actuarial gain" to annuity accounts from those who died prior to reaching age 65. Without this gain, annuity payments will be smaller and therefore the longevity bonus must be larger to reach the target amount. As a result, it takes longer for the longevity bonus to phase out altogether. The following chart compares annuity payments including the actuarial gain with payments excluding

2/ For an example of the effect of the 3% escalator on the cost of the bill with three years of front loading, see Exhibit A, attached.

that gain. The example includes three years' front loading, since the effect is more apparent when annuities are larger.

(Example includes three years front loading)

	<u>Without Death Benefits</u>		<u>With Death Benefits</u>	
	<u>Annuity</u>	<u>ALB</u>	<u>Annuity</u>	<u>ALB</u>
1987	\$11.92	\$245.58	\$11.92	\$245.58
1990	\$46.94	\$234.44	\$45.55	\$235.83
1995	\$111.73	\$214.46	\$103.72	\$222.47
2000	\$243.52	\$134.63	\$219.97	\$158.18
2004	\$429.25	\$.00	\$380.64	\$44.97
2006	\$560.18	\$.00	\$451.53	\$.00

3. Hold harmless for non-nursing home medicaid benefits.

We understand that the Senate State Affairs Committee heard testimony concerning the loss of medicaid benefits which may occur if receipt of the longevity bonus (which must now be counted as income for Alaskans with less than 25 years residency) results in an individual no longer qualifying for adult public assistance. As you know, our committee included a provision making the longevity bonus unavailable to nursing home residents; thus, the Senate State Affairs Committee was concerned only with the loss of medical benefits to non-nursing home individuals. Commissioner Pugh testified that his department could replace lost benefits if money were appropriated and if it were the intent of the legislature that his department take that action. Thus, that committee passed out the bill with the letter of intent.

Our committee of course supports any action which will protect these individuals. We would only point out that the group of individuals whose longevity bonus is not counted will grow smaller and the group who need this added protection will increase each year. Thus the appropriation which would be necessary for this protection will increase over time.

Sincerely,

State Special Committee on the
Alaska Longevity Bonus Program

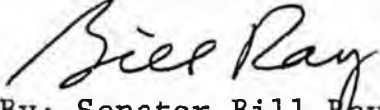

By: Senator Bill Ray
Vice Chairman

EXHIBIT A

Committee bill with three years front loading

	With 3% escalator	Without escalator
Nominal dollars	\$1,387	\$937
Constant 1985 dollars	805	600
Present value in 1985	646	501

SB

56

(FILE 3)

HEARING 2-3,

2/27/85 + 2/28/85

BILL CONTACT/ACTION

SB 56 Hearings #2 Annuities
#3

DATE	CONTACT/ACTION
	#2: To present from perspective of individual investor
	- Humphreys
	- Thomas Terry
	- Insurance Agent (Steve Woodruff)
	- Financial Planner
	- Division of Insurance (state law on annuities)
	- Debra Vogt
	- Keith Levy
	<hr/>
	#3 To present from perspective of the state as investor
	- MIT Barker
	- Sally Smith
	- Merin Jones
	- Humphreys
	- Lou Keller
	- Keith Levy
	Charts + Graphs - retirement options

MEMORANDUM

TO: SENATE JUDICIARY COMMITTEE
FROM: COMMITTEE STAFF
DATE: FEBRUARY 27, 1985
RE: SB56 - HEARING #2 - ANNUITIES/PRIVATE INVESTOR

For today's hearing you will find enclosed two articles relating to choosing annuities, and retirement income options.

SB56 weaves Longevity Bonus, Permanent Fund Dividends, and an annuity program into a single fabric. If the Alaskan public rejects the annuity for any reason, that fabric may unravel. The focus of today's meeting is on the practical requirements of marketing the annuity to the Alaska public. We will be comparing the marketing methods used by private industry against those contemplated by the state.

Ann

QUESTIONS FOR DEBRA VOGT
SB56 HEARING #2
2/27/85

- 1) To what degree was marketing of the annuity considered in the development of the annuity concept?
- 2) How much emphasis did the committee place on the marketing advantage of the "box checking" procedure versus the anticipation of a favorable IRS ruling because of the procedure.
- 3) Did you or did the committee discuss the potential for litigation if the annuity payment is not larger than an individual could earn through private investment?
- 4) In the state effort to successfully market its' annuity, do you foresee any liability to the state for failure to adequately notify under Page 7, line 21-23, Sec. 43.23.075(a)

D.W.

QUESTIONS FOR STEVE WOODRUFF
SB56 HEARING #2
2/27/85

- 1) Please give the committee a step by step outline of what you do to market an annuity.
- 2) What is the minimum amount of time you think necessary to inform a person of the value of an annuity to their retirement plans?
- 3) Could you market the annuity to the public as written in SB56? And do you think the state can market the annuity?
- 4) If the annuity was equal or better than those offered by yourself, and the only means of payment was an exchange of Permanent Fund Dividend, how would you convince at least 30% of all Alaskans to participate?

by Denise M. Topolnicki

HOW TO PICK THE RIGHT ANNUITY

Finding one with high yields and low fees now will pay off in more retirement income later on.

Annuities—those retirement investments sponsored by insurance companies—can play one or two roles in your retirement planning. While you're working, you can stash cash in a so-called deferred annuity and watch it grow unchecked by taxes. After you retire, you can use that money—or other funds—to buy an immediate annuity that pays you monthly income for the rest of your life. Every check you receive comprises principal, which isn't taxable, and earnings, which are. By then, however, you're presumably in a lower tax bracket.

You shouldn't buy either type of annuity solely on the recommendation of any insurance agent or stockbroker. Shopping is essential because returns on deferred and immediate annuities vary enormously from insurer to insurer. Also, your money is safer with some companies than with others. The financial woes of two major annuity sponsors, Baldwin-United and Charter Co., underscore the importance of doing business with sound insurers. People who bought annuities from bankrupt Baldwin-United will get their principal back, but they won't collect all the earnings they initially expected, and their cash may be tied up until at least 1987. The Charter Co. insurance subsidiaries that sold annuities haven't gone bust along with their parent company, but thousands of investors have cashed in their annuities early—despite withdrawal penalties of up to 7% on account balances—because they feared a Baldwin-United-style fiasco.

One clue to an annuity sponsor's financial stability is its rating published in the life and health edition of *Best's Insurance Reports*, available at large public libraries. Most financial planners recommend dealing only with major insurers rated A+.

Because contributions to an annuity aren't tax-deductible, a deferred annuity shouldn't be the first, or even second, way you shield savings from the tax collector. Instead, you should first make as many tax-deductible contributions to IRAs or



Keogh plans as you can. Also, put pretax dollars in a 401(k) salary-reduction plan if your employer offers one.

Deferred annuities are advertised as IRA investments, but many financial planners advise against using them that way. Says Gail Pendell, a San Diego planner: "You waste one tax-advantaged investment opportunity by doubling up your IRA and an annuity."

You can buy a deferred annuity with a single premium, typically \$5,000 or more, or you can pay in periodic installments. Your money compounds tax-free, typically until you retire. You can then take it in a lump sum and invest it as you wish, or you can buy an immediate annuity and receive periodic payments for the remainder of your life. You may contract for such payments with the insurer who managed your deferred annuity or with a different insurance company that offers a better return on your investment.

Deferred annuities come in two types, fixed or variable. Fixed annuities, which are invested in bonds and mortgages, pay interest, like a bank account. Your principal is guaranteed. Variable annuities produce fluctuating returns based on the performance of stock, bond or money-market funds managed by the insurer. More unusual funds are also available, including some that invest in real estate. Many insurers let you reallocate your cash among several funds. If a fund flops, of course, you can lose principal.

Despite their monicker, fixed annuities guarantee a stable rate of return for only a few months or a year. After that, the rate changes at the insurer's discretion, though it can't fall below a stated minimum, typically 3.5%. Fees can also affect your return. Insurers usually let you withdraw up to 10% of the money in your annuity each year without charge. If you take out more than 10%, the insurer imposes so-called surrender fees that usually start at 7% of your excess withdrawal during the contract's first year and decline until they disappear in

50 Plus' Money Plan For Your Retirement

*An up-to-date look at
the sources of retirement
income and how you
can best use them.*

Reprinted and updated from a special series in 50 Plus Magazine

50 plus
GUIDES

seven to 12 years. Some insurers offer a bailout clause under which you can get all your money at no charge if interest rates dip a point or two below what you were originally promised. If you buy an annuity after Jan. 18, 1985, and make withdrawals before you reach age 59½, you'll pay a 5% federal tax penalty, as well as income tax, on earnings withdrawn.

Ideally, you ought to be able to compare the historical investment performance of annuities. That's what the National Educational Association did in its 1982 study of fixed annuities sold to teachers by 45 companies. The findings were startling. After fees were deducted, \$14,100 invested over nearly 12 years grew to \$23,560 at the best-performing company—an average annual return of 8%. The worst company produced only \$14,484—a dismal average annual return of less than one-half of 1%.

Insurers don't compile such data for individuals, however. Comparative Annuity Reports, an Albuquerque-based firm, compiles data on annuities sponsored by 200 insurers and sells it to insurance companies and school districts. (For lists of recommended fixed annuities based on the firm's computations, see the box at right.) Since annuity contract provisions and interest rates change frequently, you should ask agents where companies they represent rank in the most current report by Comparative Annuity Reports; be sure that the agents quote from the lists that take fees into account.

It's easier to identify the top variable annuities because Lipper Analytical Services, an investment advisory firm, monitors many of them, as it does with mutual funds. As a group, variable annuities invested in stock have gained 77% in the past five years vs. 51% for Standard & Poor's 500-stock index, with dividends reinvested. Two annuities available outside of IRAs and sold by insurers rated A+ by Best's outperformed the pack. National Life's Variable Annuity Account I gained 107% while Aetna Life's Variable Fund increased 98.92%.

Because most insurers have just recently started to offer variable annuities invested in bond and money-market funds, Lipper has followed only a few such funds for more than a year. The variable annuity bond fund sold by Sun Life

of Canada topped Lipper's charts over the past year, as did the money-market annuity from Security Benefit.

Lipper's figures take investment management charges into account, but not sales commissions, which range from zero to 8½%. Insurers typically trim 1.5% off of a variable-annuity account's balance annually for administrative expenses. Ask insurance agents where companies they represent currently rank on Lipper's lists.

When you're considering buying an immediate annuity, bear in mind that the guaranteed lifetime income is most appropriate for people who fret about outliving their savings—or squandering them all in Las Vegas. Be warned too that immediate annuities aren't for fickle folk: once you sign a contract for lifetime income, you're locked in.

You can use cash you've accumulated in a deferred annuity to fund an immediate annuity. It's also possible to buy an immediate annuity with a lump sum from, say, a pension or profit-sharing plan. Immediate annuities are available in fixed and variable varieties.

There are four basic ways to receive an immediate annuity. Monthly payments

get increasingly smaller with each succeeding option:

A *straight-life* annuity pays you until you die. If you're unlucky enough to expire after cashing just one check, the insurance company keeps the remainder of your capital.

An *installment-refund* annuity pays you and a beneficiary at least as much money as you invested.

A *period-certain life* annuity guarantees that you or a beneficiary will collect for at least a set number of years.

A *joint-and-survivor* annuity continues until both you and a beneficiary are dead.

Under any option, the size of your monthly check depends on how much you invested, how old you are, and whether you're male or female. It also varies from insurer to insurer. For example, a 65-year-old man could recently buy a straight-life annuity for \$25,000 from Alexander Hamilton Life and receive monthly payments of \$297.19. Yet Federal Kemper Life would pay him only \$265 a month. Once again, you'll have to shop around. Wait until you're close to retirement, however, because rates change constantly. S

SHOPPING FOR ANNUITIES

All the top-performing annuities listed here are of the deferred type: your investment in them grows tax-free until you make withdrawals. Immediate annuities, which begin paying income at once, are not listed because ever-changing payout rates fluctuate widely. Comparative Annuity Reports, a company that sells information on annuities to insurance companies and school systems, provided the two lists of fixed annuities. In both cases, *Money* has omitted annuities designed only for IRAs as well as annuities of insurers rated less than A+ by Best's, a

firm that grades companies based on their financial stability.

The list of fixed-rate annuities with flexible premiums is based on projected returns over the next 15 years as well as the annuities' actual performance over the past five years. Insurers' fees are included.

Comparative Annuity Reports expects the fixed-rate, single-premium annuities on the second list to post the highest returns in their category over the next 15 years, based on interest rates and fee schedules in effect last August.

Top-performing fixed annuities (flexible premiums)

Company	Current interest rate
Fidelity Union Life	10%
Northern Life	12.50
Security Benefit Life	12.25
Travelers	11.75
Western National Life	12

Top-performing fixed annuities (single premium)

Company	Current interest rate
Alexander Hamilton Life	12%
Bank Life	12.1
Minnesota Mutual Life	12.25
New York Life & Annuity	12
Travelers	11.75
Western National Life	12

Reporter associate: Eric Schurenberg

- your current income in an investment program which will ripen in 10, 20, or 30 years, to provide you with years of retirement income. This "habit" is fully as important in acquiring a portfolio of stocks and bonds as it is in making regular additions to your savings account.

Since there is no stock market barometer that has proven 100% accurate in all kinds of economic weather, the only "safe" solution is to set up a regular, periodic investment program. This is called "dollar-cost averaging" and, if continued over a long period of time, can result in the investor being able to acquire more shares when prices are low and fewer shares when prices are high. The result: an average

long-term cost that's usually far more favorable than the straight mathematical average of prices over the same period of time. Furthermore, it takes much of the nail-biting worry out of investing in stocks.

But it must be kept firmly in mind that, in this pursuit of capital gains with which to increase your retirement stake, the laws of risk are always in force! Risk is ever-present *in every form of investment*. And the amount of risk rises with the expectation of profit. You can't hope to double your money overnight unless you also are prepared to risk a heavy loss. Wall Street may be a one-way street for automobiles—but not for securities prices!

Annuities

AN ANNUITY is primarily a *contract*, not an "investment." It is a contract by which you buy an income for as long as you live (and, in the case of a "joint" annuity, for as long as both you and your spouse live). For many people it is a comforting contract, because it assures you that you will not outlive your income. But, as is the case with every financial contract, it has its plusses and minuses.

great many years, or they may be bought with a single, lump-sum payment on the eve of retirement.

If you buy them over a long period of years, you may find that you have fixed your retirement income 10, 20, or 30 years before retirement—and done so unrealistically in terms of the buying power of the dollar when you actually retire.

An annuity income program purchased with a single lump sum of money on the eve of retirement at least reduces your vulnerability to inflation by many years. If you should buy such a program today, to begin providing income next month, you have a more current view of what the dollar of income will buy. You have not only escaped 10 or 20 years of seeing your premium money melt away, but you are able to buy the entire contract with "now" (cheaper) dollars. Although no fixed annuity income can protect you against further inflation, a lump-sum purchase on the eve of retirement can at least reduce much of the effect of past years of inflation.

Single Premium Annuity To Get \$100 a Month		
BOUGHT AT AGE	"LIFE ANNUITY"	"REFUND ANNUITY"
Males		
60	\$12,037	\$12,666
65	11,130	11,892
70	10,031	11,008
75	8,816	10,039
80	7,551	9,015
Females		
60	\$12,956	\$13,161
65	12,142	12,514
70	11,071	11,581
75	9,807	10,516
80	8,466	9,376
Joint and Survivor		
60	\$14,548	\$14,314
65	13,764	13,647
70	12,799	12,741
75	11,595	11,673
80	10,155	10,470

The table on page 76, furnished by the American Council of Life Insurance, shows how much it will cost you currently to buy \$100 a month of annuity income. You will notice that the cost is based on present age (the lower one's life expectancy, the more generous the insurance company can afford to be). Also, women—because, statistically they live longer—must pay more than men for the same \$100-a-month income. And a married couple must pay even a bit more (the conjugal life is evidently conducive to living longer, at least statistically).

The *plusses*: (1) lifetime income; (2) knowing exactly how much to count on each year; (3) assured income (provided, of course, that you make the contract with a reputable insurance company licensed to do business in your state, or with an educational, charitable, or religious institution licensed and supervised by your state's Superintendent of Life Insurance).

The "life annuity" column shows one type of annuity and the sums which must be paid to receive \$100 a month "for life"—for the life of a man, a woman, or "joint." (If you die a few years after taking out the annuity, the insurance company "wins.") The "refund annuity" column shows the amount you must pay to receive \$100 a month income for life with the additional proviso that if the annuitants do not live long enough to collect all that they've paid in, their estate will get the balance.

The *minuses*: (1) the fixed-income type of annuity offers no protection against inflation; (2) any variable-income program must depend upon the manager's skill as an investor in the securities markets; (3) erosion of your capital to the point where there may be no estate left for your heirs.

Annuities may be bought along with insurance through premiums paid over a

PMR Questions 2/28/85

How will revenue invest the annuity credits, front-end load?

What public information on annuity v. cash is planned?

How will annuity work without front-end load?

Can PFD recipients change their mind on cash, and when? How?

What economic impact of cash PFD, region, city, i.e., roll over of the cash in the economy? How will that change with 30% annuity participation?

Level of public inquiry now? How will that change with box check?

What public info is planned to make a knowledgeable investor?
Will public education raise to level required for a contract?

****Ask about amendments

- 1) Continuation of L.B. program if SB56 fails
- 2) Use of undistributed income of p.f.
- 3) Survivor Benefits
- 4) Reverse Box check procedure

Mention Hugh Malone solution - take it to the voters.
This may be best for the annuity program.

PMR SB56

Recap of testimony 2/27/85

Steve Woodruff:

Annuity product is unmarketable by private standards
Overly broad statement of claims in purpose
Unknown or uncertain or bad tax consequences
No survival benefits
Non-qualified investors - yield 1 percent ("5 percent
may fall for it.")

John George, Director, Division of Insurance:

State is entering into the insurance business without
regulation imposed on private annuity marketers -
annuity is a contract with all that implies. Without
contract annuity is social security program.

Debra Vogt:

Amend to include survival benefits O.K., but payment is
reduced. Percentage of investors is not important

SB

56

(FILE 4)

HEARING 4,

3/5/85

BILL CONTACT/ACTION

SB 56 Hearing # 4 Low-Income
+ Phase-out

DATE	CONTACT/ACTION
	- Rod Bratty + John Pugh - H+ 55
	- Marsha Hutshorn
	Discuss "Hold Harmless"
	- House Research - David Teal
	+ possibly individual from
	Senate Advisory to discuss
	phase-out options
	- Tillinghast

Telling options

ISSUES

- 1) Box Check (Education vs. Re-education)
 - a. Dept. of H & SS experience with public education effort for new programs and changes in existing programs.
 - b. Does receiving cash vs. annuity pose any new or different criteria for determining eligibility for PFD?

- 2) Certainty of Effect - Adequate Notice
 - a. Probability of federal interpretation of of dividend/annuity as income for recipients of public assistance.
 - b. Can H & SS determine the effect of SB56 on persons receiving public assistance in order to give adequate notice (page 7, line 20-23)

- 3) Annuity as a Contract v Government Assistance Program
 - a. Is flexibility allow a change of mind between application and issuance a problem affecting eligibility?
 - b. An annuity is a contract relationship in the private sector. Would such a relationship affect eligibility procedures as they exist now?
 - c. Is there any state liability for establishing an annuity that may later be construed as a contract?
 - d. Is the investment criteria different for management of a contractual obligation vs. a social service program?

- 4) Survivor Benefits
 - a. How does Survivor Benefits affect the value and level of front-end loading required?

- 5) Appropriate Funding Sources
 - a. At what point does the front-end load need to be known in order to determine the true fiscal impact of SB56?
 - b. When does P.F. Undistributed Income or General Fund become more appropriate than PFD as source of funding the annuity?

- 6) Participation of Poor or Uninformed
 - a. What income level is required for eligibility for various public assistance programs?
 - b. Will those most likely in need of public assistance at age 65 be likely to choose the annuity over cash now?

POSITION PAPER FOR

COMMITTEE SUBSTITUTE FOR SENATE BILL No. 56

For "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date."

I. Alaska Longevity Bonus - Enactment of the amendments to the Longevity Bonus Program included in CSSB 56 would protect Medicaid coverage for approximately 33 nursing home residents in FY86; however, benefits for approximately 750 Alaskans who currently receive Old Age Assistance, Medicaid, and federal Supplemental Security Income payments as outlined below would continue to be seriously jeopardized. This negative impact is a combined result of federal and state statutes that require the Longevity Bonus to be counted as income when determining these individuals' eligibility for assistance for residents of less than 25 years.

Nursing home residents are excluded from receiving the Longevity Bonus by CSSB 56 and therefore will continue to be eligible for Medicaid if their income is under \$975 per month.

Federal Supplemental Security Income (SSI) recipients are not protected by CSSB 56 and therefore those who are not 25-year residents by October 1, 1985 would suffer either a reduction or a termination of their federal SSI grant.

Old Age Assistance (OAA) recipients would also suffer either a reduction in their state grant or a termination of their grant.

Medicaid recipients who are not residing in a nursing home and who become ineligible for Old Age Assistance and Supplemental Security Income will also become ineligible for Medicaid. CSSB 56 does not provide a hold-harmless to replace the loss of these Medicaid benefits. The Department estimates that 333 elderly Alaskans will lose Medicaid benefits in FY86.

These low-income Longevity Bonus recipients can be protected from financial harm by the enactment of a series of amendments to General Relief and Longevity Bonus statutes (substantially as proposed in CSSB No. 128), to provide that:

- (1) The Department will use General Relief funds to replace federal SSI payments lost or reduced by the federal government counting some bonus payments as income;
- (2) The Department will use General Relief funds to replace Old Age Assistance (OAA) payments lost or reduced by the Adult Public Assistance program following the SSI policy of counting some Bonus payments as income; and

- (3) The Department will use General Relief-Medical funds to provide medical assistance to anyone who loses Medicaid coverage solely because their Longevity Bonus payments were counted as income.

The majority of the 750 individuals who would lose benefits under CSSB 56, as now written, depend on federal SSI and the state OAA payments as their primary source of income. Their medical bills are covered by Medicaid. The Department believes it essential, for basic humanitarian reasons, that enactment of CSSB 56 be accompanied by a "hold-harmless" provision that would protect those who would lose cash and medical assistance because they receive the Longevity Bonus.

If a hold-harmless provision is not enacted during this session, the Department will be compelled by federal requirements to end Medicaid eligibility for approximately 333 recipients and to reduce Old Age Assistance grants to an additional 400 recipients starting July 1, 1985.

II. Annuity Program - Enactment of the annuity program proposed in CSSB 56 would not have a substantial effect on most public assistance and Medicaid recipients. These individuals, whose annual incomes are less than \$10,000, cannot afford to defer their Permanent Fund checks, as they have an immediate need for these funds to buy basic necessities.

III. Federal Waiver - The Department is unable to make any commitments as to whether any changes in the Longevity Bonus Program will again alter the federal government's position and, perhaps, end the special exclusion for 25-year residents who receive the Bonus. If this were to occur, the number of recipients placed in jeopardy and the costs of providing them with "hold-harmless" protection would grow substantially beyond our current estimates.

RECOMMENDATION

Given the broad scope of this policy change and the fact that public assistance is only a minor part of it, we do not take any position either supporting or opposing this bill. However, we do oppose any change in the Longevity Bonus Program which does not include a hold-harmless for SSI, Old Age Assistance, and Medicaid recipients. We recommend adding a complete hold-harmless for SSI, Old Age Assistance, and Medicaid.

Recommended by: Rod Betit 2/21/85
Rod Betit, Director
Division of Medical Assistance

Date: _____

Recommended by: John R. Taber
John R. Taber, Director
Division of Public Assistance

Date: 2/21/85

Approved by: John R. Pugh
John R. Pugh, Commissioner
Department of Health & Social
Services

Date: 2/21/85

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB No. 56
 Title: An Act amending the LB prgm, & the PFD prgm, estab. an annuity...
 Sponsor: State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Services
 Program Category Affected: Soc. & 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						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS		(760.0)	(830.7)			
800 MISCELLANEOUS						
TOTAL OPERATING		(760.0)	(830.7)			

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND		(760.0)	(830.7)			
FEDERAL FUNDS						
OTHER						
TOTAL		(760.0)	(830.7)			

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

Budgeted FY86 and FY87 Old Age Assistance expenditures are currently predicated on all Longevity Bonus payments being disregarded as countable income. CSSB No. 56 provides for no "hold-harmless" OAA coverage for those who receive countable Bonus payments. Therefore, beginning July 1, 1985, OAA payments will be reduced (or ended) for the approximately 750 recipients who are receiving countable Bonus payment

Prepared By: John R. Taber, Director

Phone: 465-3347

Division: ~~HEALTH & SOCIAL SERVICES~~ PUBLIC ASST

Date: _____

Approved by Commissioner: [Signature]

Date: 2/21/85

Agency: H+SS

JCC

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No. CSSB No. 56
 Title: "An Act amending the L.B. prgm & the PFD prgm, estab. an annuity."
 Sponsor State Affairs
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Health & Social Service
 Program Category Affected: Soc. & Econ. assistance for general pop.
 BRU, Program or Subprogram(s) Affected: Medical Assistance, Medicaid

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary
 As written, CSSB No. 56 would result in no net increase in Medicaid expenditures beyond what is budgeted for FY'86.

(Continued)

Prepared By: Rod Betit, Director *R Betit* Phone: 465-3355
 Division: Division of Medical Assistance Date: _____

Approved by Commissioner: Jan A. Poy Date: 2/21/85 *acc*
 Agency: _____

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

Were a full cash and medical hold-harmless adopted by amending CSSB No. 56, the costs would be

Federal (SSI) Payment	1,400,000	1,530,517
State (OAA) Payment	760,000*	830,737*
Non Nursing Home Medical	413,847	471,609
Nursing Home Medical	-0- ©	-0- ©
	<u>\$1,813,847</u>	<u>\$2,002,126</u>

* As these costs are already budgeted for FY 86, this is a non-add item.

© No cost if the exclusion is effective upon enactment of SB 56.

The Alaska Permanent Fund Dividend Program

Economic Effects and Public Attitudes

by

Gunnar Knapp, Scott Goldsmith,
Jack Kruse, and Gregg Erickson

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September 1984

Prepared for the Alaska Permanent Fund Corporation

EXECUTIVE SUMMARY

This study for the Alaska Permanent Fund Corporation examines public attitudes toward the Permanent Fund Dividend Program, the impacts of dividends on recipients, and the effects of dividends on the Alaska economy. The key findings are:

Attitudes - About 60 percent of Alaskans think the Permanent Fund Dividend Program is a good idea. Twenty-nine percent have mixed feelings. Ten percent think it is a bad idea.

Impacts - The "average" recipient saved \$200 of his 1982 dividend, paid \$200 in federal taxes, paid off \$50 in debt, and spent \$550. Of that \$550, \$450 went to day-to-day expenses (e.g., food, heat, clothing) and \$100 went to "special" items (e.g., airline tickets, VCRs).

Effects - Dividends create more spending money and jobs--and result in more population growth--than other ways of spending the same amount of public money, including bigger operating and capital budgets, tax reductions, and subsidizing economic activity.

Other major findings include:

Attitudes

- A majority of Alaskans prefer the dividend program over more state and local construction projects, reduced property taxes, subsidized loan programs, or putting the money for dividends back into the Permanent Fund.
- Seventy-one percent of Alaskans would now choose to end the dividend rather than bring back the personal income tax. Fifty-five percent would be willing to give up some part of their dividends to pay for the longevity bonus for senior citizens. However, eighty-seven percent would not halt the "inflation-proofing" of the Permanent Fund so that the State could use the earnings for other purposes.

Impacts

- The 1982 dividend distribution of \$450 million directly increased personal income in Alaska by 6.3 percent, about the same amount as the payroll of the Petroleum Industry.
- The relative benefits of the Permanent Fund Dividend Program to Alaskans vary widely. For one-third of all Alaskans, the 1982 dividends increased family income by less than five percent after taxes. But for one-eighth of all Alaskans, the dividends increased family income by more than twenty percent.
- Dividends substantially raised the incomes of many rural Alaskans. The 1982 dividends increased family income by more than twenty percent for over one-half of rural Alaska Natives.
- How Alaskans used their dividends varied with income. Lower-income Alaskans used more of the money to reduce their debt and for day-to-day expenses while higher-income Alaskans used more of the money for taxes and savings.

Effects

- The 1982 and 1983 dividends have been significant factors in the rapid economic growth of the early 1980s. As the dividends entered the Alaska economy, they created about five thousand jobs, primarily in support industries, and added about \$360 million to consumer purchasing power in 1983. Although the direct program effects impacted every corner of the state, the secondary effects have concentrated in the urban areas, which are the centers for economic support activities.
- Inflation and the desire to work were little affected by the dividends, and few people moved to Alaska solely to receive a dividend. However, because the dividend program stimulates employment more than other uses of public funds, it does have the effect of bringing more people to Alaska.
- No use of Permanent Fund earnings, including retaining dividends in the Fund, is able to arrest the projected decline in state revenues due to depletion of petroleum reserves if contributions to the Permanent Fund continue at the current rate.
- The use of current Permanent Fund earnings for dividends or public expenditures reduces the level of public wealth available in future years. Accumulation of dividends in the Permanent Fund increases future wealth but reduces current levels of economic activity.

Purpose and Design of the Study

The purpose of this study was to examine economic effects of the Permanent Fund dividend program and public attitudes toward the program. The study was carried out by the Institute of Social and Economic Research of the University of Alaska.

In order to study dividend uses and public attitudes, we conducted a survey of 1,016 Alaska households. The limited budget restricted this survey to telephone interviews, which excluded some families from the sample but not sufficient numbers to significantly affect the reliability of the results. To ensure equal reliability of the results for all areas of the state, we conducted equal numbers of interviews in three different geographic classifications of the state: Anchorage, other urban areas, and rural areas. The overall results of the survey were then weighted to reflect the relative share of the total population represented by each geographic area. The results reported for the entire state are accurate within plus or minus three percentage points.

A second major source of information for the study was the Institute of Social and Economic Research's Man-in-the-Arctic Program (MAP) econometric model of the Alaska economy. We used the model to project changes in the Alaska economy resulting from the Permanent Fund Dividend Program.

Other major sources of information for the study included data on dividend distributions provided by the Alaska Department of Revenue, census data on the distribution of income in Alaska, sales data for rural stores provided by Alaska Commercial Company, banking data from a large number of sources, small community sales tax data, and public assistance payments data from the Alaska Department of Health and Social Services.

Alaskans' Attitudes Towards the Dividend Program

We asked survey respondents three types of questions concerning their views on the dividend program: first whether they favored or opposed the program; second, whether they preferred the dividend program over a number of alternative uses for the dividend money; and, third, the extent to which they agreed or disagreed with various perceptions about the dividend program. Several well-known supporters and opponents of the dividend program reviewed the survey before it was conducted to assure maximum objectivity in the attitudinal questions. Our results reflect the attitudes of household members most responsible for household finances, whom we selected as our survey respondents.

A majority of those surveyed think the Permanent Fund dividend program is a good idea and favor it over such other public uses as reinvestment of Fund earnings, large state construction projects,

local construction projects, property tax reductions, or loans. Almost three-quarters would prefer that the state stop the dividend program, if necessary, to avoid reinstating a state personal income tax. Only one in ten respondents favored limiting the dividend program to low-income households, but just over one of every two persons support the idea of using a portion of the money now spent on dividends to pay for longevity bonus checks.

A substantial majority of persons interviewed think that they are entitled to a share in the earnings of the Permanent Fund and have no problem with receiving money directly from the state. Most respondents emphatically believe that how residents use the money is of no concern to the state. In addition to viewing dividends as an entitlement, most respondents see the dividend program as a means of protecting the principal of the Permanent Fund and as a more effective vehicle for using public funds to benefit Alaska residents than legislative appropriations. They also think that the dividend program has made them pay closer attention to how the state spends the money it receives.

Survey respondents were mixed in their perceptions about whether dividends had been wasted on liquor or drugs, whether loss of dividend money in taxes to the Federal government is a problem with the dividend program, whether the dividends harm Alaska's image, and whether dividends are important sources of income in their communities. Rural residents were much more likely to see dividends as an important source of income.

Support for the dividend program is widespread among survey respondents, particularly among groups which tend to have lower incomes: rural residents, recent immigrants, persons with relatively less education, and younger and older Alaskans. Income itself is strongly related to attitudes toward the Permanent Fund dividend program, but even 45 percent of those living in households which received more than \$60,000 in income in 1983 supported the dividend program.

Three perceptions appear to be particularly important to those favoring the dividend program. Respondents were much more likely to favor dividends if they felt that (1) residents are entitled to a share in the state's wealth; (2) Alaska residents are better able to decide how to spend the state's money than the legislature; and (3) dividends are an important source of income. Household income did not explain any additional variation in public attitudes toward the dividends but accounts for much of the difference in perceptions about the importance of dividends as a source of income.

The importance of income and income-related perceptions in explaining support for dividends and the view that dividends are an entitlement suggest that much of the support for the dividend program will not diminish over time. Since support for the dividend program is apparently also a function of trust in the legislature's

motivations and abilities, public attitudes may shift in response to future state spending patterns, generally, and in response to specific proposals concerning the Permanent Fund in particular.

Finally, we observed that respondents who firmly expect that state revenues will decline in ten years were likely to oppose the dividend program in favor of increased savings while the reverse was true for those who firmly expect that state revenues will not decline. Less than half the persons we interviewed had either of these firm perceptions, however, and perceptions about future state revenues overall did not explain a substantial variation in attitude toward the dividend fund. This suggests that public expectations concerning future state revenues are not likely to substantially influence public attitudes toward the Permanent Fund dividend program, unless firmer public consensus on state revenue prospects should develop.

Effects of the Dividends on Income

The Alaska Permanent Fund Dividend Program has distributed more than 458 thousand 1982 dividend checks of \$1,000 and more than 430 thousand 1983 dividend checks of \$386.15 to Alaskans. More than \$15 million in 1982 dividend checks were distributed each month between June of 1982 and February of 1983, reaching a peak in December of 1982 at \$122 million. Almost all of the 1983 dividends were distributed between September and November of 1983.

About 31 percent of dividend recipients were children. Of all recipients, one-half had resided in Alaska for eleven or more years; one-fifth had resided in Alaska since 1959; and eight percent claimed only one year of residency. Two percent of the dividend checks were mailed to addresses outside Alaska.

Adults paid 28.4 percent of their 1982 dividends as federal income taxes. Since most children's dividend income was not taxed, the average tax rate for all dividend income was about 20.2 percent. Total federal income taxes were \$88 million on 1982 dividends and \$32 million on 1983 dividends.

The 1982 dividends directly increased Alaskans' after-tax income by about \$362 million, or by about 6.2 percent. However, the relative effects of dividends on after-tax income were much higher for large, low-income families. We prepared the estimates shown on the following table for the relative effects of 1982 Permanent Fund Dividends on after-tax income.

EFFECTS OF 1982 PERMANENT FUND DIVIDENDS
ON AFTER-TAX INCOME OF ALASKANS

Percent Increase in After-tax Income of Individual's Family	Percent of All Alaskans	Percent of Rural Alaskans	Percent of Rural Alaska Natives
0 - 5%	35	29	12
6 - 10	26	23	11
11 - 15	15	15	15
16 - 20	6	7	11
21 - 25	4	5	11
26 - 30	4	5	8
31 - 35	3	4	7
36 - 40	2	4	8
41 - 45	1	1	3
46 - 50	-	-	1
> 50	<u>3</u>	<u>6</u>	<u>14</u>
Total	100	100	100

- Less than 0.5 percent.

NOTE: Totals may not add to 100 due to rounding.

As shown in the table above, the relative effects of dividends varied widely among Alaskan households. For 61 percent of Alaskans, 1982 Permanent Fund Dividend income represented less than a 10 percent increase in their families' after-tax incomes. For another 26 percent, the dividends represented an increase in after-tax income of between 10 and 25 percent. For the remaining 13 percent of Alaskans, the dividends represented more than a 25 percent increase in family income.

The contribution of dividends to family income was relatively greater in rural Alaska, and especially so for rural Alaska Natives. Our estimates suggest that dividends represented in 1982 more than a 25 percent increase in family income for 41 percent of rural Alaska Natives.

In sum, the 1982 dividends represented a substantial increase in family income for many Alaskans, especially in rural areas. However, for a majority of Alaskans, the dividends represented a relatively small increase in family income, especially after federal income taxes were paid. Since the 1983 dividends were about one-third the size of the 1982 dividends, their contribution to after-tax income was also smaller.

How Alaskans Used Their Dividend Income

In each household surveyed, we spoke with the adult who knew the most about the use of the household's dividend checks and asked a series of questions about how much dividend income household members had used for the following categories:

- Special purchases
- Savings
- Debt reduction
- Day-to-day purchases
- Taxes

We asked separate questions about the uses of adults' and children's dividends and the uses of 1982 and 1983 dividends. Many interesting questions went unasked because the amount of time available in a telephone interview is limited.

As in any survey, respondents may not recall their households' purchases correctly. They may also avoid mentioning undesirable or illegal uses of income (none of our survey respondents mentioned any such uses). Similarly, many respondents may under- or overstate their total expenditures or have difficulty attributing purchases to special sources of income. To compensate for these limitations, we employed standard survey research techniques to internally check for the consistency of responses and referenced our survey responses to other secondary sources of information. We prepared several estimates of overall uses of dividend income based on different sets of assumptions about how to adjust for any overstated or understated uses.

Based on the survey results, between 5 and 15 percent of dividend income was used for special purchases, about one-fifth of which were airline tickets. Respondents mentioned a wide variety of other special purchases, among the most common of which were cars, furniture, houses, home additions, televisions, appliances, bicycles, snow-machines, and three-wheelers.

Between 15 and 25 percent of dividend income was saved, and about 5 percent was used to reduce debt. About 20 percent went to taxes. The remainder of dividend income--between 35 and 55 percent--was used for day-to-day purchases such as food, heat, clothing, and rent.

Lower-income and rural households used relatively less of their dividend income for taxes or savings and relatively more for debt reduction and special purchases.

Parents decided how their children's dividends would be used in over one-half of all households while children alone made the decisions in less than one-tenth. In the remainder of households, the decisions were made collectively. The greater the children's say in the use of the dividends, the greater the share of the

dividends which was spent, while the greater the parents' say, the greater the share which was saved or used to reduce debt.

In order to summarize the effects of the dividends, we asked each respondent the following question: "Overall, how would you say your household's spending, saving, and debt was changed by your dividend checks?" We categorized the answers in terms of the most significant effect which was mentioned. The following table summarizes the answers for the 1982 adults' and children's dividends, broken down by household income group. There were clear differences in the effects of dividends between income groups. The lower the income group, the greater the share of households which cited "reduced debt," "help with regular expenses," and "help with special purchases" as the most significant effects of dividends and the lower the share of households which cited "savings" or "little or no effect." Less than one-third of the lowest-income households thought that dividends had "little or no effect," compared to over half of the highest income households. The effects of adults' and children's dividends were also viewed differently: "reduced debt" and "help with regular expenses" were mentioned less frequently as effects of children's dividends while "increased savings" was mentioned more frequently.

MOST SIGNIFICANT OVERALL EFFECTS OF PERMANENT FUND
DIVIDEND INCOME, AS SUMMARIZED BY SURVEY RESPONDENTS,
BY HOUSEHOLD AND INCOME GROUP
(Percent of Households)

Most Significant Overall Effect	1982 Adults' Dividends				1982 Children's Dividends			
	Under \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More Than \$60,000	Under \$26,000	\$26,000- \$40,000	\$41,000- \$60,000	More Than \$60,000
Reduced Debt	18.3	13.8	11.9	4.9	10.7	5.5	1.9	1.7
Increased Savings	9.1	19.3	25.0	15.8	20.1	24.5	28.9	21.7
Help with Regular Expenses	22.1	11.9	14.6	11.9	19.1	9.0	8.6	2.9
Special Purchases	10.8	9.8	4.9	5.1	7.2	5.5	9.4	1.7
Little or No Effect	27.9	36.3	33.5	49.3	31.7	41.1	38.7	52.6
Unaccounted for or No Answer Given	<u>11.8</u>	<u>8.9</u>	<u>10.1</u>	<u>13.0</u>	<u>11.2</u>	<u>14.4</u>	<u>12.5</u>	<u>19.4</u>
TOTAL	100	100	100	100	100	100	100	100

We examined dividend use in rural areas by comparing sales in twelve rural stores to dividend distributions using regression analysis. For eleven of these stores, we found that dividends significantly affected sales in at least some departments. In nine of the stores, total monthly sales increased by between \$83 and \$373 for every thousand dollars of dividends distributed locally during the month. Departments in which the effects on sales were greatest included groceries, soft goods, and hardware. Generally, the 1982 dividends had a greater direct effect on sales per dollar distributed than did the 1983 dividends. These results suggest that a large share of dividend income in rural areas was used to make purchases locally. They also serve to substantiate survey responses on how dividends were used in rural areas.

Economic Effects of the Dividend Program

This part of the study was divided into three sections which analyzed (1) the past and projected economic effects of the current dividend distribution program, (2) the relative economic effects of the program in comparison to other uses of an equivalent amount of Permanent Fund earnings, and (3) the economic effects of variations in the timing of the use of Permanent Fund earnings for dividends or other purposes.

The economic impact of the dividend program results primarily from the personal consumption spending it generates. Alaskans perceive dividend income to be some combination of permanent, transitory, and windfall income; and, consequently, less of it is spent than ordinary income. This is less so for lower-income Alaskans who consume most of their current income, including dividend income.

The dividends have been one of the most important sources of growth in disposable (after-tax) personal income in Alaska since the current economic boom began in 1980. The dividends directly accounted for 17 percent of the increase in disposable income for the years 1981-1983. Because of lags in both the distribution of dividends and personal expenditures, the spending of this income created 3 thousand jobs in 1982 and 5 thousand jobs in 1983. People moving to Alaska to fill these new jobs increased the state's population by 2 thousand in 1982 and another 2 thousand in 1983, resulting in higher government expenditures. In addition, the new jobs further increased disposable income by 9 percent in 1982 and by 23 percent in 1983.

The dividend program has not had any discernible effects on inflation. Few, if any, people have left the labor force as a result of dividend income. There is no evidence of substantial migration to Alaska by people hoping to receive dividends; at most, some people may have postponed their departure from Alaska in order to receive dividends. The secondary effects of dividends were felt

most in the support industries of trade, services, and finance which are concentrated in the urban parts of the state. Private holdings of wealth increased modestly and tended to be concentrated among the higher-income groups. The availability of funds resulted in a small amount of capital investment for business purposes.

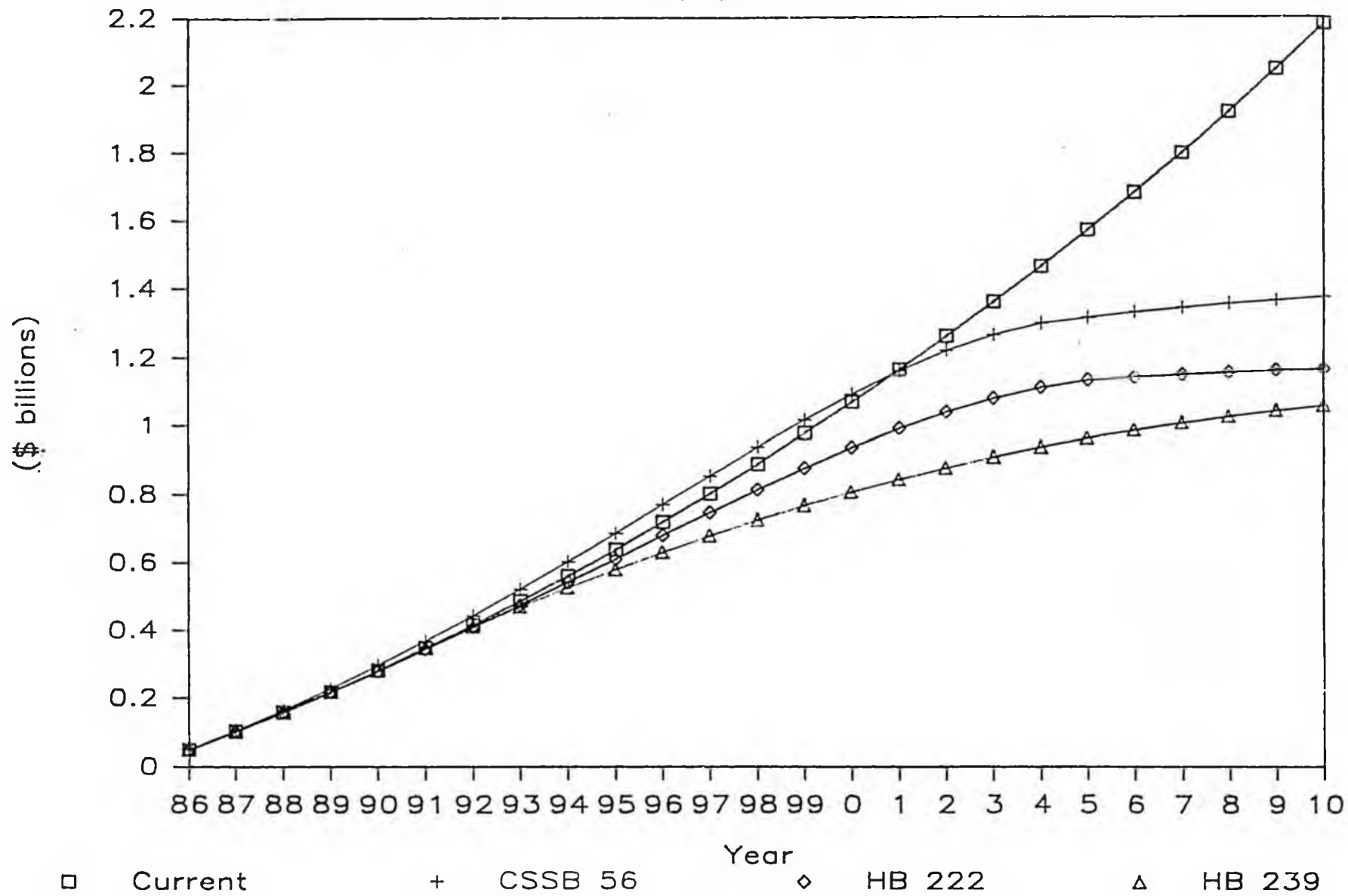
Compared to the expenditure of an equivalent amount of public funds for other purposes, including government operations, capital projects, subsidies, local transfers, or nonpetroleum tax reductions, the dividends produce the largest increase in before- and after-tax income, employment, and population. Employment growth from dividends is in the support sector while government expenditures produce more jobs in government or construction-related industries. Our results are generalized for each sector as a whole. Particular government programs may have characteristics considerably different from the average, particularly for subsidies.

Because nearly all state revenues come from the production of finite petroleum reserves, total public spending--whether in the form of dividends or alternatives--is nonsustainable at its current level. Several long-term policies involving (1) different mixes of public and private uses of Permanent Fund earnings and (2) different mixes of current and future spending of Permanent Fund earnings were examined using simulation analysis. No alternatives are able to arrest the decline in public revenues, and none significantly alter the projected structural shift in the economy away from growth dominated by the public sector.

Permanent Fund earnings spent as dividends produce more employment, personal income, and expand the private economy more than public expenditure of the same funds but, as with all other spending alternatives, contribute to the future decline in the level of government services. If current public spending patterns--including paying dividends--continue, significant and continuing reductions in government expenditures will become inevitable in about 1993, cutting per capita real public spending to half its current level by the turn of the century. Saving of Permanent Fund earnings has the least effect on the economy in the present but increases future opportunities for public or private spending by enlarging state fund balances in the future--augmenting future public revenues projected to be much smaller than those of today. Thus, the use of Permanent Fund earnings involves a choice between public versus private and current versus future spending.

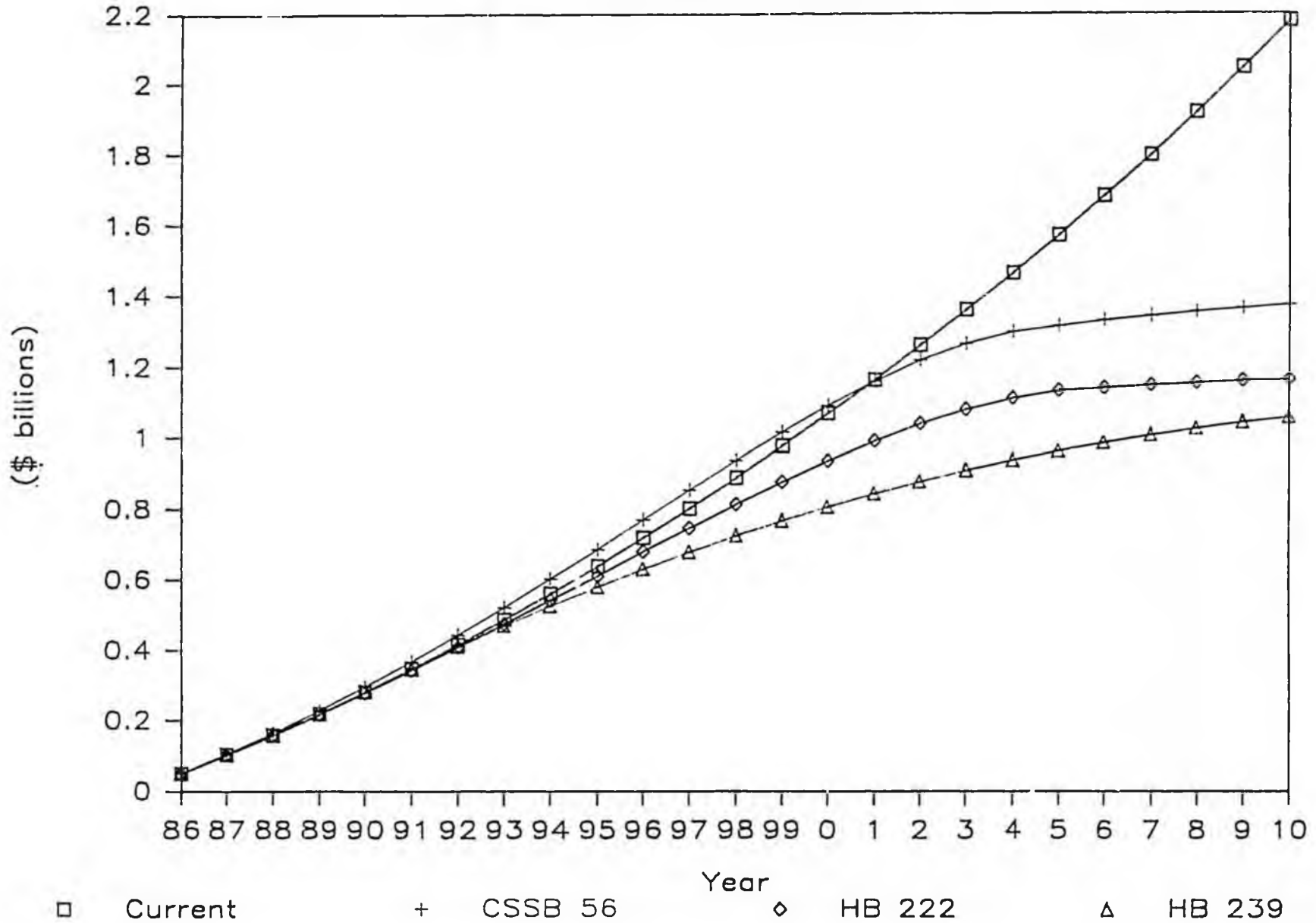
LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



LONGEVITY BONUS COST ANALYSIS

Current Program

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0		65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9		65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9		65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8		65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8		65	11,906	250	35.7	68.5	416.3
1993	10,273	250	30.8		65	13,588	250	40.8	71.6	487.9
1994	9,606	250	28.8		65	15,193	250	45.6	74.4	562.3
1995	8,945	250	26.8		65	16,946	250	50.8	77.7	640.0
1996	8,291	250	24.9		65	18,572	250	55.7	80.6	720.6
1997	7,644	250	22.9		65	20,048	250	60.1	83.1	803.7
1998	7,012	250	21.0		65	21,645	250	64.9	86.0	889.6
1999	6,396	250	19.2		65	23,160	250	69.5	88.7	978.3
2000	5,799	250	17.4		65	24,712	250	74.1	91.5	1,069.8
2001	5,225	250	15.7		65	26,234	250	78.7	94.4	1,164.2
2002	4,676	250	14.0		65	27,764	250	83.3	97.3	1,261.5
2003	4,156	250	12.5		65	29,292	250	87.9	100.3	1,361.9
2004	3,666	250	11.0		65	30,817	250	92.5	103.4	1,465.3
2005	3,210	250	9.6		65	32,511	250	97.5	107.2	1,572.5
2006	2,788	250	8.4		65	34,342	250	103.0	111.4	1,683.9
2007	2,402	250	7.2		65	36,087	250	108.3	115.5	1,799.3
2008	2,050	250	6.2		65	38,259	250	114.8	120.9	1,920.3
2009	1,778	250	5.3		65	40,416	250	121.2	126.6	2,046.8
2010	1,449	250	4.3		65	42,563	250	127.7	132.0	2,178.9

Prepared by the House Research Agency

04-Mar-85

LONGEVITY BONUS COST ANALYSIS

CSSB 56 and HB 210

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	258	44.3		65	3,419	253	10.4	54.7	104.9
1988	13,660	265	43.5		65	5,109	255	15.6	59.1	164.0
1989	12,974	273	42.5		65	6,854	256	21.1	63.6	227.6
1990	12,293	281	41.5		65	8,620	256	26.5	68.0	295.6
1991	11,616	290	40.4		65	10,292	256	31.6	72.0	367.6
1992	10,943	299	39.2		65	11,906	254	36.2	75.4	443.0
1993	10,273	307	37.9		65	13,588	250	40.8	78.7	521.7
1994	9,606	317	36.5		65	15,193	245	44.6	81.1	602.8
1995	8,945	326	35.0		65	16,946	238	48.3	83.3	686.1
1996	8,291	336	33.4		65	18,572	228	50.9	84.3	770.4
1997	7,644	346	31.7		65	20,048	216	52.1	83.8	854.3
1998	7,012	356	30.0		65	21,645	202	52.5	82.5	936.7
1999	6,396	367	28.2		65	23,160	184	51.3	79.4	1,016.2
2000	5,799	378	26.3		65	24,712	163	48.5	74.8	1,091.0
2001	5,225	389	24.4		65	26,234	139	43.7	68.1	1,159.1
2002	4,676	401	22.5		65	27,764	110	36.6	59.1	1,218.2
2003	4,156	413	20.6		65	29,292	77	26.9	47.5	1,265.7
2004	3,666	426	18.7		65	30,817	38	14.1	32.9	1,298.6
2005	3,210	438	16.9		65	32,511	0	0.0	16.9	1,315.5
2006	2,788	452	15.1		65	34,342	0	0.0	15.1	1,330.6
2007	2,402	465	13.4		65	36,087	0	0.0	13.4	1,344.0
2008	2,050	479	11.8		65	38,259	0	0.0	11.8	1,355.8
2009	1,778	493	10.5		65	40,416	0	0.0	10.5	1,366.3
2010	1,449	508	8.8		65	42,563	0	0.0	8.8	1,375.1

LONGEVITY BONUS COST ANALYSIS

HB 222 (Lairson's Bill -
Mandatory)

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	248	10.2	53.2	103.4
1988	13,660	250	41.0		65	5,109	245	15.0	56.0	159.4
1989	12,974	250	38.9		65	6,854	241	19.9	58.8	218.2
1990	12,293	250	36.9		65	8,620	237	24.6	61.4	279.6
1991	11,616	250	34.8		65	10,292	233	28.8	63.6	343.3
1992	10,943	250	32.8		65	11,906	228	32.5	65.3	408.6
1993	10,273	250	30.8		65	13,588	221	36.1	66.9	475.5
1994	9,606	250	28.8		65	15,193	214	39.0	67.8	543.3
1995	8,945	250	26.8		65	16,946	206	41.8	68.7	612.0
1996	8,291	250	24.9		65	18,572	196	43.7	68.6	680.6
1997	7,644	250	22.9		65	20,048	185	44.6	67.5	748.1
1998	7,012	250	21.0		65	21,645	173	44.9	65.9	814.0
1999	6,396	250	19.2		65	23,160	159	44.1	63.3	877.3
2000	5,799	250	17.4		65	24,712	143	42.3	59.7	937.0
2001	5,225	250	15.7		65	26,234	125	39.2	54.9	991.9
2002	4,676	250	14.0		65	27,764	104	34.8	48.8	1,040.7
2003	4,156	250	12.5		65	29,292	82	28.7	41.2	1,081.9
2004	3,666	250	11.0		65	30,817	56	20.8	31.8	1,113.7
2005	3,210	250	9.6		65	32,511	28	10.9	20.5	1,134.2
2006	2,788	250	8.4		65	34,342	0	0.0	8.4	1,142.6
2007	2,402	250	7.2		65	36,087	0	0.0	7.2	1,149.8
2008	2,050	250	6.2		65	38,259	0	0.0	6.2	1,155.9
2009	1,778	250	5.3		65	40,416	0	0.0	5.3	1,161.3
2010	1,449	250	4.3		65	42,563	0	0.0	4.3	1,165.6

LONGEVITY BONUS COST ANALYSIS

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: None

HB 239

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	250	10.3	63.3	103.5
1988	13,660	250	41.0		65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9		65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9		65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8		65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8		66	9,982	250	29.9	62.8	410.6
1993	10,273	250	30.8		67	9,665	250	29.0	59.8	470.4
1994	9,606	250	28.8		68	9,346	250	28.0	56.9	527.2
1995	8,945	250	26.8		69	9,029	250	27.1	53.9	581.2
1996	8,291	250	24.9		70	8,710	250	26.1	51.0	632.2
1997	7,644	250	22.9		71	8,388	250	25.2	48.1	680.3
1998	7,012	250	21.0		72	8,059	250	24.2	45.2	725.5
1999	6,396	250	19.2		73	7,720	250	23.2	42.3	767.8
2000	5,799	250	17.4		74	7,370	250	22.1	39.5	807.3
2001	5,225	250	15.7		75	7,008	250	21.0	36.7	844.0
2002	4,676	250	14.0		76	6,637	250	19.9	33.9	878.0
2003	4,156	250	12.5		77	6,255	250	18.8	31.2	909.2
2004	3,666	250	11.0		78	5,864	250	17.6	28.6	937.8
2005	3,210	250	9.6		79	5,466	250	16.4	26.0	963.8
2006	2,788	250	8.4		80	5,063	250	15.2	23.6	987.4
2007	2,402	250	7.2		81	4,657	250	14.0	21.2	1,008.5
2008	2,050	250	6.2		82	4,254	250	12.8	18.9	1,027.5
2009	1,778	250	5.3		83	3,857	250	11.6	16.9	1,044.4
2010	1,449	250	4.3		84	3,473	250	10.4	14.8	1,059.1

ALB CASES WITH ZERO FRONT LOADING AND ZERO ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL*	CURRENT LAW
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$250.00	\$4.37	\$245.63	17,768	14,349	3,419	17,768	-0-	\$53.1	\$53.3	\$53.3
1988	\$250.00	\$9.70	\$240.30	18,769	13,660	5,109	18,769	-0-	\$55.7	\$56.3	\$56.3
1989	\$250.00	\$16.03	\$233.97	19,828	12,974	6,854	19,828	-0-	\$58.2	\$59.5	\$59.5
1990	\$250.00	\$23.55	\$226.45	20,913	12,293	8,620	20,913	-0-	\$60.3	\$62.7	\$62.7
1991	\$250.00	\$32.50	\$217.50	21,908	11,616	10,292	21,908	-0-	\$61.7	\$65.7	\$65.7
1992	\$250.00	\$43.06	\$206.94	22,849	10,943	11,906	20,839	2,010	\$62.4	\$62.5	\$68.5
1993	\$250.00	\$55.44	\$194.56	23,861	10,273	13,588	19,890	3,971	\$62.5	\$59.7	\$71.6
1994	\$250.00	\$69.89	\$180.11	24,799	9,606	15,193	18,823	5,976	\$61.7	\$56.5	\$74.4
1995	\$250.00	\$86.72	\$163.28	25,891	8,945	16,946	17,940	7,951	\$60.0	\$53.8	\$77.7
1996	\$250.00	\$106.27	\$143.73	26,863	8,291	18,572	16,073	9,990	\$56.9	\$50.6	\$80.6
1997	\$250.00	\$128.70	\$121.30	27,692	7,644	20,048	15,819	11,073	\$52.1	\$47.5	\$83.1
1998	\$250.00	\$154.42	\$95.58	28,657	7,012	21,645	14,934	13,723	\$45.9	\$44.8	\$86.0
1999	\$250.00	\$183.86	\$66.14	29,556	6,396	23,160	13,969	15,587	\$37.0	\$41.9	\$88.7
2000	\$250.00	\$217.46	\$32.54	30,511	5,799	24,712	13,031	17,480	\$27.0	\$39.1	\$91.5
2001	\$250.00	\$255.10	\$.00	31,459	5,225	26,234	12,098	19,361	\$15.7	\$36.3	\$94.4
2002	\$250.00	\$298.96	\$.00	32,441	4,676	27,764	11,193	21,247	\$14.0	\$33.6	\$97.3
2003	\$250.00	\$347.74	\$.00	33,448	4,156	29,292	10,306	23,142	\$12.5	\$30.9	\$100.3
2004	\$250.00	\$402.63	\$.00	34,483	3,666	30,817	9,438	25,045	\$11.0	\$28.3	\$103.4
2005	\$250.00	\$464.27	\$.00	35,721	3,210	32,511	8,639	27,082	\$9.6	\$25.9	\$107.2
2006	\$250.00	\$533.39	\$.00	37,130	2,788	34,342	7,850	29,280	\$8.4	\$23.5	\$111.4
2007	\$250.00	\$610.77	\$.00	38,489	2,402	35,087	7,043	31,446	\$7.2	\$21.1	\$115.5
2008	\$250.00	\$697.21	\$.00	40,309	2,050	38,259	6,359	33,950	\$6.2	\$19.1	\$120.9
2009	\$250.00	\$793.66	\$.00	42,194	1,778	40,416	5,640	36,554	\$5.3	\$16.9	\$126.6
2010	\$250.00	\$901.13	\$.00	44,012	1,449	42,563	4,950	39,062	\$4.3	\$14.9	\$132.0
2011	\$250.00	\$1,020.72	\$.00	45,000	1,213	43,787	4,243	40,757	\$3.6	\$12.7	\$135.0
2012	\$250.00		\$.00	45,000	1,003	43,997	3,669	41,331	\$3.0	\$11.0	\$135.0
2013	\$250.00		\$.00	45,000	619	44,181	3,161	41,839	\$2.5	\$9.5	\$135.0
2014	\$250.00		\$.00	45,000	658	44,342	2,698	42,302	\$2.0	\$8.1	\$135.0
2015	\$250.00		\$.00	45,000	521	44,479	2,340	42,660	\$1.6	\$7.0	\$135.0
2016	\$250.00		\$.00	45,000	405	44,595	1,907	43,093	\$1.2	\$5.7	\$135.0
2017	\$250.00		\$.00	45,000	309	44,691	1,596	43,404	\$.9	\$4.8	\$135.0
2018	\$250.00		\$.00	45,000	231	44,769	1,320	43,680	\$.7	\$4.0	\$135.0
2019	\$250.00	continues	\$.00	45,000	169	44,831	1,070	43,922	\$.5	\$3.2	\$135.0
2020	\$250.00	continues	\$.00	45,000	114	44,886	866	44,134	\$.3	\$2.6	\$135.0
2021	\$250.00	to	\$.00	45,000	76	44,924	686	44,314	\$.2	\$2.1	\$135.0
2022	\$250.00	increase	\$.00	45,000	40	44,952	533	44,467	\$.1	\$1.6	\$135.0
2023	\$250.00		\$.00	45,000	31	44,969	407	44,593	\$.1	\$1.2	\$135.0
2024	\$250.00		\$.00	45,000	18	44,982	304	44,696	\$.1	\$.9	\$135.0
2025	\$250.00		\$.00	45,000	10	44,990	222	44,778	\$.0	\$.7	\$135.0
2026	\$250.00		\$.00	45,000	5	44,995	150	44,850	\$.0	\$.4	\$135.0
2027	\$250.00		\$.00	45,000	3	44,997	100	44,900	\$.0	\$.3	\$135.0
2028	\$250.00		\$.00	45,000	1	44,999	63	44,937	\$.0	\$.2	\$135.0
2029	\$250.00		\$.00	45,000		45,000	41	44,959	\$.0	\$.1	\$135.0
2030	\$250.00		\$.00	45,000		45,000	24	44,976	\$.0	\$.1	\$135.0
2031	\$250.00		\$.00	45,000		45,000	13	44,987	\$.0	\$.0	\$135.0
2032	\$250.00		\$.00	45,000		45,000	7	44,993	\$.0	\$.0	\$135.0
2033	\$250.00		\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$135.0
2034	\$250.00		\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$135.0

FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	CONSTANT 1985 DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	PRESENT VALUE IN 1985	\$.0	\$.0	\$.0
TOTAL COSTS	NOMINAL DOLLARS	\$916.5	\$1,131.0	\$5,418.9
	CONSTANT 1985 DOLLARS	\$566.1	\$625.0	\$1,391.1
	PRESENT VALUE IN 1985	\$464.1	\$496.9	\$879.8

NOTES:

* Persons 65 before 1992 are grandfathered.

ALB CASLS WITH THREE YEAR FRONT LOADING AND ZERO ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL**	CURRENT LAW
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$250.00	\$11.92	\$238.08	17,768	14,349	3,419	17,768	-0-	\$52.8*	\$53.3	\$53.3
1988	\$250.00	\$24.86	\$225.14	18,769	13,660	5,109	18,769	-0-	\$54.8*	\$56.3	\$56.3
1989	\$250.00	\$39.05	\$210.95	19,020	12,974	6,854	19,020	-0-	\$57.3*	\$59.5	\$59.5
1990	\$250.00	\$46.94	\$203.06	20,913	12,293	8,620	20,913	-0-	\$59.9	\$62.7	\$62.7
1991	\$250.00	\$56.27	\$193.73	21,908	11,616	10,292	21,908	-0-	\$58.	\$65.7	\$65.7
1992	\$250.00	\$67.31	\$182.79	22,849	10,943	11,906	20,839	2,010	\$58.9	\$62.5	\$68.5
1993	\$250.00	\$79.93	\$170.07	23,861	10,273	13,588	19,090	3,971	\$58.5	\$59.7	\$71.6
1994	\$250.00	\$94.67	\$155.33	24,799	9,606	15,193	18,823	5,976	\$57.1	\$56.5	\$74.4
1995	\$250.00	\$111.73	\$138.27	25,891	8,945	16,946	17,940	7,951	\$55.0	\$53.8	\$77.7
1996	\$250.00	\$131.53	\$118.47	26,863	8,291	18,572	16,873	9,990	\$51.3	\$50.6	\$80.6
1997	\$250.00	\$154.20	\$95.80	27,692	7,644	20,048	15,819	11,873	\$46.0	\$47.5	\$83.1
1998	\$250.00	\$180.13	\$69.87	28,657	7,012	21,645	14,934	13,723	\$39.2	\$44.8	\$86.0
1999	\$250.00	\$209.76	\$40.24	29,556	6,396	23,160	13,969	15,587	\$30.4	\$41.9	\$88.7
2000	\$250.00	\$243.52	\$6.48	30,511	5,799	24,712	13,031	17,480	\$19.3	\$39.1	\$91.5
2001	\$250.00	\$281.92	\$.00	31,459	5,225	26,234	12,098	19,361	\$15.7	\$36.3	\$94.4
2002	\$250.00	\$325.34	\$.00	32,440	4,676	27,764	11,193	21,247	\$14.0	\$33.6	\$97.3
2003	\$250.00	\$374.26	\$.00	33,448	4,156	29,292	10,306	23,142	\$12.5	\$30.9	\$100.3
2004	\$250.00	\$429.25	\$.00	34,483	3,666	30,817	9,438	25,045	\$11.0	\$28.3	\$103.4
2005	\$250.00	\$490.97	\$.00	35,721	3,210	32,511	8,639	27,082	\$9.6	\$25.9	\$107.2
2006	\$250.00	\$560.18	\$.00	37,130	2,788	34,342	7,850	29,280	\$8.4	\$23.5	\$111.4
2007	\$250.00	\$637.63	\$.00	38,489	2,402	36,087	7,043	31,446	\$7.2	\$21.1	\$115.5
2008	\$250.00	\$724.15	\$.00	40,309	2,050	38,259	6,359	33,950	\$6.2	\$19.1	\$120.9
2009	\$250.00	\$820.68	\$.00	42,194	1,778	40,416	5,640	36,554	\$5.3	\$16.9	\$126.6
2010	\$250.00	\$928.22	\$.00	44,012	1,449	42,563	4,950	39,062	\$4.3	\$14.9	\$132.0
2011	\$250.00	\$1,047.88	\$.00	45,000	1,213	43,787	4,243	40,757	\$3.6	\$12.7	\$135.0
2012	\$250.00		\$.00	45,000	1,003	43,997	3,669	41,331	\$3.0	\$11.0	\$135.0
2013	\$250.00		\$.00	45,000	819	44,181	3,161	41,039	\$2.5	\$9.5	\$135.0
2014	\$250.00		\$.00	45,000	650	44,342	2,698	42,302	\$2.0	\$8.1	\$135.0
2015	\$250.00		\$.00	45,000	521	44,479	2,340	42,668	\$1.6	\$7.0	\$135.0
2016	\$250.00		\$.00	45,000	405	44,595	1,907	43,093	\$1.2	\$5.7	\$135.0
2017	\$250.00		\$.00	45,000	309	44,691	1,596	43,404	\$.9	\$4.8	\$135.0
2018	\$250.00		\$.00	45,000	231	44,769	1,320	43,680	\$.7	\$4.0	\$135.0
2019	\$250.00		\$.00	45,000	169	44,831	1,078	43,922	\$.5	\$3.2	\$135.0
2020	\$250.00	continues	\$.00	45,000	114	44,886	866	44,134	\$.3	\$2.6	\$135.0
2021	\$250.00	to	\$.00	45,000	76	44,924	686	44,314	\$.2	\$2.1	\$135.0
2022	\$250.00	increase	\$.00	45,000	48	44,952	533	44,467	\$.1	\$1.6	\$135.0
2023	\$250.00		\$.00	45,000	31	44,969	407	44,593	\$.1	\$1.2	\$135.0
2024	\$250.00		\$.00	45,000	18	44,982	304	44,696	\$.1	\$.9	\$135.0
2025	\$250.00		\$.00	45,000	10	44,990	222	44,778	\$.0	\$.7	\$135.0
2026	\$250.00		\$.00	45,000	5	44,995	150	44,850	\$.0	\$.4	\$135.0
2027	\$250.00		\$.00	45,000	3	44,997	100	44,900	\$.0	\$.3	\$135.0
2028	\$250.00		\$.00	45,000	1	44,999	63	44,937	\$.0	\$.2	\$135.0
2029	\$250.00		\$.00	45,000		45,000	41	44,959	\$.0	\$.1	\$135.0
2030	\$250.00		\$.00	45,000		45,000	24	44,976	\$.0	\$.1	\$135.0
2031	\$250.00		\$.00	45,000		45,000	13	44,987	\$.0	\$.0	\$135.0
2032	\$250.00		\$.00	45,000		45,000	7	44,993	\$.0	\$.0	\$135.0
2033	\$250.00		\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$135.0
2034	\$250.00		\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$135.0

NOTES:

* Plus annual "front loading" costs of \$25.2 in '87, \$26.5 in '88, and \$27.7 in '89.

** Persons 65 before 1992 are grandfathered.

FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989		
	CONSTANT 1985 DOLLARS, 1987-1989	\$79.4	\$.0
	PRESENT VALUE IN 1985	\$66.6	\$.0
		\$61.3	\$.0
TOTAL COSTS	NOMINAL DOLLARS	\$937.0	\$1,131.0
	CONSTANT 1985 DOLLARS	\$600.4	\$625.0
	PRESENT VALUE IN 1985	\$500.8	\$496.9
			\$5,418.9
			\$1,391.1
			\$879.8

ALB CASES WITH ZERO FRONT LOADING AND THREE PERCENT ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----					---PROGRAM COSTS (MILLIONS)---		
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL* with escalator	CURRENT LAW
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	6,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$4.37	\$253.13	17,768	14,349	3,419	17,768	-0-	\$54.7	\$54.9	\$54.9
1988	\$265.23	\$9.70	\$255.53	18,769	13,660	5,109	18,769	-0-	\$59.1	\$59.7	\$59.7
1989	\$273.18	\$16.03	\$257.15	19,828	12,974	6,854	19,828	-0-	\$63.7	\$65.0	\$65.0
1990	\$281.38	\$23.55	\$257.83	20,913	12,293	8,620	20,913	-0-	\$68.2	\$70.6	\$70.6
1991	\$289.82	\$32.50	\$257.32	21,908	11,616	10,292	21,908	-0-	\$72.2	\$76.2	\$76.2
1992	\$298.51	\$43.06	\$255.45	22,849	10,943	11,906	20,839	2,010	\$75.7	\$74.6	\$81.8
1993	\$307.47	\$55.44	\$252.03	23,861	10,273	13,588	19,890	3,971	\$79.0	\$73.4	\$88.0
1994	\$316.69	\$69.89	\$246.80	24,799	9,606	15,193	18,823	5,976	\$81.5	\$71.5	\$94.2
1995	\$326.19	\$86.72	\$239.47	25,891	8,945	16,946	17,940	7,951	\$83.7	\$70.2	\$101.3
1996	\$335.98	\$106.27	\$229.71	26,863	8,291	18,572	16,873	9,990	\$84.6	\$68.0	\$108.3
1997	\$346.06	\$128.70	\$217.36	27,692	7,644	20,048	15,819	11,873	\$84.0	\$65.7	\$115.0
1998	\$356.44	\$154.42	\$202.02	28,657	7,012	21,645	14,934	13,723	\$82.5	\$63.9	\$122.6
1999	\$367.13	\$183.86	\$183.27	29,556	6,396	23,160	13,969	15,587	\$79.1	\$61.5	\$130.2
2000	\$378.15	\$217.46	\$160.69	30,511	5,799	24,712	13,031	17,480	\$74.0	\$59.1	\$138.5
2001	\$389.49	\$255.10	\$134.39	31,459	5,225	26,234	12,098	19,361	\$66.7	\$56.5	\$147.0
2002	\$401.18	\$298.96	\$102.22	32,440	4,676	27,764	11,193	21,247	\$56.6	\$53.9	\$156.2
2003	\$413.21	\$347.74	\$65.47	33,448	4,156	29,292	10,306	23,142	\$43.6	\$51.1	\$165.9
2004	\$425.61	\$402.63	\$22.98	34,403	3,666	30,817	9,430	25,045	\$27.2	\$48.2	\$176.1
2005	\$430.38	\$464.27	\$.00	35,721	3,210	32,511	8,639	27,002	\$16.9	\$45.4	\$187.9
2006	\$451.53	\$533.39	\$.00	37,130	2,788	34,342	7,850	29,280	\$15.1	\$42.5	\$201.2
2007	\$465.07	\$610.77	\$.00	38,489	2,402	36,087	7,043	31,446	\$13.4	\$39.3	\$214.8
2008	\$479.03	\$697.21	\$.00	40,309	2,050	38,259	6,359	33,950	\$11.0	\$36.6	\$231.7
2009	\$493.40	\$793.66	\$.00	42,194	1,778	40,416	5,640	36,554	\$10.5	\$33.4	\$249.8
2010	\$508.20	\$901.13	\$.00	44,012	1,449	42,563	4,950	39,062	\$8.8	\$30.2	\$268.4
2011	\$523.44	\$1,020.72	\$.00	45,000	1,213	43,787	4,243	40,757	\$7.6	\$26.7	\$282.7
2012	\$539.15		\$.00	45,000	1,003	43,997	3,669	41,331	\$6.5	\$23.7	\$291.1
2013	\$555.32		\$.00	45,000	819	44,181	3,161	41,839	\$5.5	\$21.1	\$299.9
2014	\$571.98		\$.00	45,000	658	44,342	2,698	42,302	\$4.5	\$18.5	\$308.9
2015	\$589.14		\$.00	45,000	521	44,479	2,340	42,660	\$3.7	\$16.5	\$318.1
2016	\$606.82		\$.00	45,000	405	44,595	1,907	43,093	\$2.9	\$13.9	\$327.7
2017	\$625.02		\$.00	45,000	309	44,691	1,596	43,404	\$2.3	\$12.0	\$337.5
2018	\$643.77		\$.00	45,000	231	44,769	1,320	43,680	\$1.8	\$10.2	\$347.6
2019	\$663.08		\$.00	45,000	169	44,831	1,078	43,922	\$1.3	\$8.6	\$358.1
2020	\$682.98	continues	\$.00	45,000	114	44,886	866	44,134	\$.9	\$7.1	\$368.8
2021	\$703.47	to	\$.00	45,000	76	44,924	686	44,314	\$.6	\$5.8	\$379.9
2022	\$724.57	increase	\$.00	45,000	48	44,952	533	44,467	\$.4	\$4.6	\$391.3
2023	\$746.31		\$.00	45,000	31	44,969	407	44,593	\$.3	\$3.6	\$403.0
2024	\$768.70		\$.00	45,000	18	44,982	304	44,696	\$.2	\$2.8	\$415.1
2025	\$791.76		\$.00	45,000	10	44,990	222	44,778	\$.1	\$2.1	\$427.5
2026	\$815.51		\$.00	45,000	5	44,995	150	44,850	\$.0	\$1.5	\$440.4
2027	\$839.97		\$.00	45,000	3	44,997	100	44,900	\$.0	\$1.0	\$453.6
2028	\$865.17		\$.00	45,000	1	44,999	63	44,937	\$.0	\$.7	\$467.2
2029	\$891.13		\$.00	45,000		45,000	41	44,959	\$.0	\$.4	\$481.2
2030	\$917.06		\$.00	45,000		45,000	24	44,976	\$.0	\$.3	\$495.6
2031	\$945.40		\$.00	45,000		45,000	13	44,987	\$.0	\$.1	\$510.5
2032	\$973.76		\$.00	45,000		45,000	7	44,993	\$.0	\$.1	\$525.8
2033	\$1,002.97		\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$541.6
2034	\$1,033.06		\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$557.9

FRONT LOADING PAYMENTS	NOMINAL DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	CONSTANT 1985 DOLLARS, 1987-1989	\$.0	\$.0	\$.0
	PRESENT VALUE IN 1985	\$.0	\$.0	\$.0

NOTES:

* Persons 65 before 1992 are grandfathered.

TOTAL COSTS	NOMINAL DOLLARS	\$1,401.7	\$1,603.2	\$13,086.7
	CONSTANT 1985 DOLLARS	\$783.7	\$801.9	\$2,501.1
	PRESENT VALUE IN 1985	\$616.9	\$615.7	\$1,392.6

ADD CASES WITH THREE YEAR FRONT LOADING AND THREE PERCENT ESCALATOR

FISCAL YEAR	---MONTHLY PAYMENTS---			-----POPULATIONS-----				---PROGRAM COSTS (MILLIONS)---			
	TARGET	MAXIMUM POSSIBLE ANNUITY	ALB	65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	65 AFTER 1991	COMM. BILL stairstep in 1986	STAIRSTEP BILL** with escalator	CURRENT LAW with escalator
1986	\$250.00	\$.00	\$250.00	16,744	15,039	1,705	16,744	-0-	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	17,760	14,349	3,419	17,760	-0-	\$54.4*	\$54.9	\$54.9
1988	\$265.23	\$24.86	\$240.37	18,769	13,660	5,109	18,769	-0-	\$59.2*	\$59.7	\$59.7
1989	\$273.18	\$39.05	\$231.13	19,828	12,974	6,854	19,828	-0-	\$61.8*	\$65.0	\$65.0
1990	\$281.38	\$46.94	\$234.44	20,913	12,293	8,620	20,913	-0-	\$65.8	\$70.6	\$70.6
1991	\$289.82	\$56.27	\$233.55	21,908	11,616	10,292	21,908	-0-	\$69.2	\$76.2	\$76.2
1992	\$298.51	\$67.21	\$231.30	22,849	10,943	11,906	20,839	2,010	\$72.2	\$76.6	\$81.8
1993	\$307.47	\$79.93	\$227.54	23,061	10,273	13,588	19,890	3,971	\$75.0	\$73.4	\$88.0
1994	\$316.60	\$94.67	\$222.02	24,799	9,606	15,193	18,823	5,976	\$77.0	\$71.5	\$94.2
1995	\$326.19	\$111.73	\$214.46	25,891	8,945	16,946	17,940	7,951	\$78.6	\$70.2	\$101.3
1996	\$335.98	\$131.53	\$204.45	26,863	8,291	18,572	16,873	9,990	\$79.0	\$68.0	\$108.3
1997	\$346.06	\$154.20	\$191.86	27,692	7,644	20,840	15,819	11,873	\$77.9	\$65.7	\$115.0
1998	\$356.44	\$180.13	\$176.31	28,657	7,012	21,645	14,934	13,723	\$75.8	\$63.9	\$122.6
1999	\$367.13	\$209.76	\$157.37	29,556	6,396	23,160	13,969	15,587	\$71.9	\$61.5	\$130.2
2000	\$378.15	\$243.52	\$134.63	30,511	5,799	24,712	13,031	17,480	\$66.2	\$59.1	\$138.5
2001	\$389.49	\$281.92	\$107.57	31,459	5,225	26,234	12,098	19,361	\$58.3	\$56.5	\$147.0
2002	\$401.18	\$325.34	\$75.84	32,440	4,676	27,764	11,193	21,247	\$47.8	\$53.9	\$156.2
2003	\$413.21	\$374.26	\$38.95	33,440	4,156	29,292	10,306	23,142	\$34.3	\$51.1	\$165.9
2004	\$425.61	\$429.25	\$.00	34,483	3,666	30,817	9,438	25,045	\$18.7	\$48.2	\$176.1
2005	\$438.38	\$490.97	\$.00	35,721	3,210	32,511	8,639	27,082	\$16.9	\$45.4	\$187.9
2006	\$451.53	\$560.18	\$.00	37,130	2,788	34,342	7,850	29,280	\$15.1	\$42.5	\$201.2
2007	\$465.07	\$637.63	\$.00	38,489	2,402	36,087	7,043	31,446	\$13.4	\$39.3	\$214.8
2008	\$479.03	\$724.15	\$.00	40,309	2,050	38,259	6,359	33,950	\$11.8	\$36.6	\$231.7
2009	\$493.40	\$820.68	\$.00	42,194	1,778	40,416	5,640	36,554	\$10.5	\$33.4	\$249.8
2010	\$508.20	\$928.22	\$.00	44,012	1,449	42,563	4,950	39,062	\$8.8	\$30.2	\$268.4
2011	\$523.44	\$1,047.08	\$.00	45,000	1,213	43,787	4,243	40,757	\$7.6	\$26.7	\$282.7
2012	\$539.15		\$.00	45,000	1,003	43,997	3,669	41,331	\$6.5	\$23.7	\$291.1
2013	\$555.32		\$.00	45,000	819	44,181	3,161	41,839	\$5.5	\$21.1	\$299.9
2014	\$571.98		\$.00	45,000	658	44,342	2,698	42,302	\$4.5	\$18.5	\$308.9
2015	\$589.14		\$.00	45,000	521	44,479	2,340	42,660	\$3.7	\$16.5	\$318.1
2016	\$606.82		\$.00	45,000	405	44,595	1,907	43,093	\$2.9	\$13.9	\$327.7
2017	\$625.02		\$.00	45,000	309	44,691	1,596	43,404	\$2.3	\$12.0	\$337.5
2018	\$643.77		\$.00	45,000	231	44,769	1,320	43,680	\$1.8	\$10.2	\$347.6
2019	\$663.08		\$.00	45,000	169	44,831	1,073	43,922	\$1.3	\$8.6	\$358.1
2020	\$682.98	continues	\$.00	45,000	114	44,886	866	44,134	\$.9	\$7.1	\$368.8
2021	\$703.47	to	\$.00	45,000	76	44,924	686	44,314	\$.6	\$5.8	\$379.9
2022	\$724.57	increase	\$.00	45,000	48	44,952	533	44,467	\$.4	\$4.6	\$391.3
2023	\$746.31		\$.00	45,000	31	44,969	407	44,593	\$.3	\$3.6	\$403.0
2024	\$768.70		\$.00	45,000	18	44,982	304	44,696	\$.2	\$2.8	\$415.1
2025	\$791.76		\$.00	45,000	10	44,990	222	44,778	\$.1	\$2.1	\$427.5
2026	\$815.51		\$.00	45,000	5	44,995	150	44,850	\$.0	\$1.5	\$440.4
2027	\$839.97		\$.00	45,000	3	44,997	100	44,900	\$.0	\$1.0	\$453.6
2028	\$865.17		\$.00	45,000	1	44,999	63	44,937	\$.0	\$.7	\$467.2
2029	\$891.13		\$.00	45,000		45,000	41	44,959	\$.0	\$.4	\$481.2
2030	\$917.86		\$.00	45,000		45,000	24	44,976	\$.0	\$.3	\$495.6
2031	\$945.40		\$.00	45,000		45,000	13	44,987	\$.0	\$.1	\$510.5
2032	\$973.76		\$.00	45,000		45,000	7	44,993	\$.0	\$.1	\$525.8
2033	\$1,002.97		\$.00	45,000		45,000	4	44,996	\$.0	\$.0	\$541.6
2034	\$1,033.06		\$.00	45,000		45,000	1	44,999	\$.0	\$.0	\$557.9

NOTES:

* Plus annual "front loading" costs of \$25.2 in '87, \$26.5 in '88, and \$27.7 in '89.

** Persons 65 before 1992 are grandfathered.

	NOMINAL DOLLARS, 1987-1989		
FRONT LOADING PAYMENTS	\$79.4	\$.0	\$.0
	CONSTANT 1985 DOLLARS, 1987-1989	\$66.6	\$.0
	PRESENT VALUE IN 1985	\$61.3	\$.0
TOTAL COSTS	NOMINAL DOLLARS	\$1,387.2	\$1,603.2
	CONSTANT 1985 DOLLARS	\$805.3	\$801.9
	PRESENT VALUE IN 1985	\$645.8	\$615.7
			\$13,086.7
			\$2,501.1
			\$1,392.6

COMPARISON OF ALB ALTERNATIVES

FISCAL YEAR	MONTHLY PAYMENTS						ANNUAL COSTS (millions)			
	ANNUITY BILL			CSSB 56			SPECIAL COMMITTEE ANNUITY BILL*	CSSB-56*	STAIRSTEP BILL**	CURRENT LAW
	ALB TO PERSONS 65 BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB	ALB TO PERSONS 65 BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB				
1986	\$250.00	\$.00	\$250.00	\$250.00	\$.00	\$250.00	\$50.2	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	\$257.50	\$11.92	\$245.58	\$79.6	\$79.6	\$53.3	\$53.3
1988	\$265.23	\$24.86	\$240.37	\$265.23	\$24.71	\$240.52	\$84.7	\$84.7	\$56.3	\$56.3
1989	\$273.18	\$39.05	\$234.13	\$273.18	\$38.38	\$234.80	\$89.5	\$89.5	\$59.5	\$59.5
1990	\$281.38	\$46.94	\$234.44	\$281.38	\$45.55	\$235.83	\$65.8	\$65.9	\$62.7	\$62.7
1991	\$289.82	\$56.27	\$233.55	\$289.82	\$53.97	\$235.85	\$69.2	\$69.5	\$65.7	\$65.7
1992	\$298.51	\$67.21	\$231.30	\$298.51	\$63.79	\$234.72	\$72.2	\$72.7	\$62.5	\$68.5
1993	\$307.47	\$79.93	\$227.54	\$307.47	\$75.21	\$232.26	\$75.0	\$75.8	\$59.7	\$71.6
1994	\$316.69	\$94.67	\$222.02	\$316.69	\$88.43	\$228.26	\$77.0	\$78.1	\$56.5	\$74.4
1995	\$326.19	\$111.73	\$214.46	\$326.19	\$103.72	\$222.47	\$78.6	\$80.3	\$53.8	\$77.7
1996	\$335.98	\$131.53	\$204.45	\$335.98	\$121.37	\$214.61	\$79.0	\$81.3	\$50.6	\$80.6
1997	\$346.06	\$154.20	\$191.86	\$346.06	\$141.44	\$204.62	\$77.9	\$81.0	\$47.5	\$83.1
1998	\$356.44	\$180.13	\$176.31	\$356.44	\$164.33	\$192.11	\$75.8	\$79.9	\$44.8	\$86.0
1999	\$367.13	\$209.76	\$157.37	\$367.13	\$190.39	\$176.74	\$71.9	\$77.3	\$41.9	\$88.7
2000	\$378.15	\$243.52	\$134.63	\$378.15	\$219.97	\$158.10	\$66.2	\$73.2	\$39.1	\$91.5
2001	\$309.49	\$281.92	\$107.57	\$389.49	\$253.43	\$136.06	\$58.3	\$67.3	\$36.3	\$94.4
2002	\$401.18	\$325.34	\$75.84	\$401.18	\$291.07	\$110.11	\$47.8	\$59.2	\$33.6	\$97.3
2003	\$413.21	\$374.26	\$38.95	\$413.21	\$333.31	\$79.90	\$34.3	\$48.7	\$30.9	\$100.3
2004	\$425.61	\$429.25	\$.00	\$425.61	\$380.64	\$44.97	\$12.7	\$35.4	\$28.3	\$103.4
2005	\$438.38	\$490.97	\$.00	\$438.38	\$433.53	\$4.85	\$16.9	\$18.8	\$25.9	\$107.2
2006	\$451.53	\$560.18	\$.00	\$451.53	\$492.60	\$.00	\$15.1	\$15.1	\$23.5	\$111.4
2007	\$465.07	\$637.63	\$.00	\$465.07	\$558.43	\$.00	\$13.4	\$13.4	\$21.1	\$115.5
2008	\$479.03	\$724.15	\$.00	\$479.03	\$631.66	\$.00	\$11.8	\$11.8	\$19.1	\$120.9
2009	\$493.40	\$820.68	\$.00	\$493.40	\$713.40	\$.00	\$10.5	\$10.5	\$16.9	\$126.6
2010	\$508.20	\$928.22	\$.00	\$508.20	\$803.32	\$.00	\$9.8	\$8.8	\$14.9	\$132.0
2011	\$523.44	\$1,047.08	\$.00	\$523.44	\$903.38	\$.00	\$7.6	\$7.6	\$12.7	\$135.0
2012	\$539.15		\$.00	\$539.15		\$.00	\$6.5	\$6.5	\$11.0	\$135.0
2013	\$555.32		\$.00	\$555.32		\$.00	\$5.5	\$5.5	\$9.5	\$135.0
2014	\$571.98		\$.00	\$571.98		\$.00	\$4.5	\$4.5	\$8.1	\$135.0
2015	\$589.14		\$.00	\$589.14		\$.00	\$3.7	\$3.7	\$7.0	\$135.0
2016	\$606.82		\$.00	\$606.82		\$.00	\$2.9	\$2.9	\$5.7	\$135.0
2017	\$625.02		\$.00	\$625.02		\$.00	\$2.3	\$2.3	\$4.8	\$135.0
2018	\$643.77		\$.00	\$643.77		\$.00	\$1.8	\$1.8	\$4.0	\$135.0
2019	\$663.08	continues	\$.00	\$663.08	continues	\$.00	\$1.3	\$1.3	\$3.2	\$135.0
2020	\$682.98	to	\$.00	\$682.98	to	\$.00	\$.9	\$.9	\$2.6	\$135.0
2021	\$703.47	increase	\$.00	\$703.47	increase	\$.00	\$.6	\$.6	\$2.1	\$135.0
2022	\$724.57		\$.00	\$724.57		\$.00	\$.4	\$.4	\$1.6	\$135.0
2023	\$746.31		\$.00	\$746.31		\$.00	\$.3	\$.3	\$1.2	\$135.0
2024	\$768.70		\$.00	\$768.70		\$.00	\$.2	\$.2	\$.9	\$135.0
2025	\$791.76		\$.00	\$791.76		\$.00	\$.1	\$.1	\$.7	\$135.0
2026	\$815.51		\$.00	\$815.51		\$.00	\$.0	\$.0	\$.4	\$135.0
2027	\$839.97		\$.00	\$839.97		\$.00	\$.0	\$.0	\$.3	\$135.0
2028	\$865.17		\$.00	\$865.17		\$.00	\$.0	\$.0	\$.2	\$135.0
2029			\$.00	\$891.13		\$.00	\$.0	\$.0	\$.1	\$135.0
2030			\$.00	\$917.86		\$.00	\$.0	\$.0	\$.1	\$135.0
2031			\$.00	\$945.40		\$.00	\$.0	\$.0	\$.0	\$135.0
2032			\$.00	\$973.76		\$.00	\$.0	\$.0	\$.0	\$135.0
2033			\$.00	\$1,002.97		\$.00	\$.0	\$.0	\$.0	\$135.0
2034			\$.00	\$1,033.06		\$.00	\$.0	\$.0	\$.0	\$135.0

TOTAL COSTS, 1986-2034:	\$1,387.2	\$1,466.8	\$1,131.0	\$5,418.9
CONSTANT 1985 DOLLARS, 1986-2034:	\$805.32	\$836.9	\$625.01	\$1,391.12
PRESENT VALUE, 1986-2034:	\$645.82	\$666.3	\$496.88	\$879.78

S:
 rsons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include
 three years of "front loading" (\$25.2 in '87, \$26.5 in '88, and \$27.7 in '89).
 rsons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

SB

56

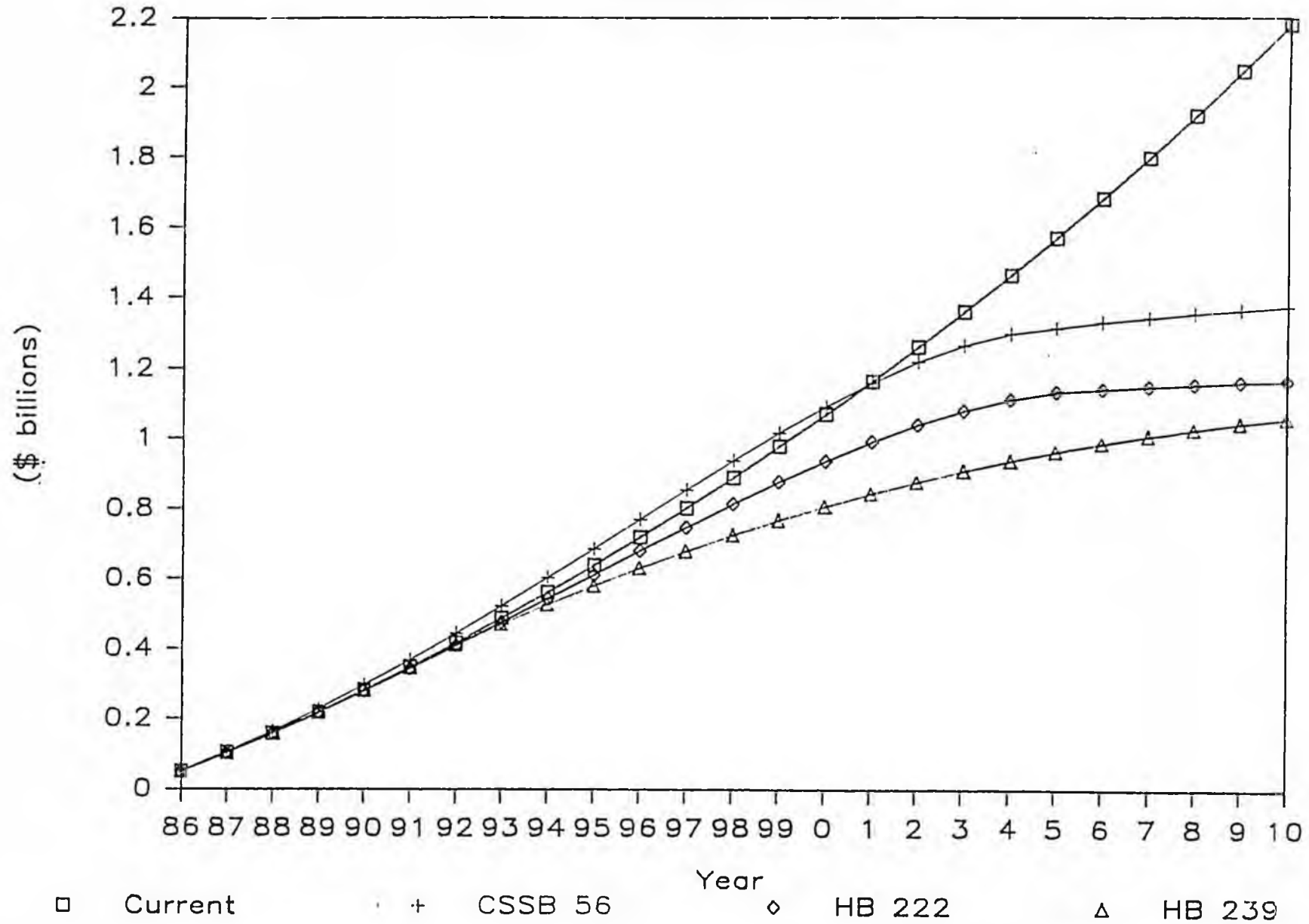
(FILE 5):

HEARING 5,

2/7/85

LONGEVITY BONUS COST ANALYSIS

Cumulative Cost



LONGEVITY BONUS COST ANALYSIS

Current Program

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0	65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0	65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9	65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9	65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8	65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8	65	11,906	250	35.7	68.5	416.3
1993	10,273	250	30.8	65	13,588	250	40.8	71.6	487.9
1994	9,606	250	28.8	65	15,193	250	45.6	74.4	562.3
1995	8,945	250	26.8	65	16,946	250	50.8	77.7	640.0
1996	8,291	250	24.9	65	18,572	250	55.7	80.6	720.6
1997	7,644	250	22.9	65	20,048	250	60.1	83.1	803.7
1998	7,012	250	21.0	65	21,645	250	64.9	86.0	889.6
1999	6,396	250	19.2	65	23,160	250	69.5	88.7	978.3
2000	5,799	250	17.4	65	24,712	250	74.1	91.5	1,069.8
2001	5,225	250	15.7	65	26,234	250	78.7	94.4	1,164.2
2002	4,676	250	14.0	65	27,764	250	83.3	97.3	1,261.5
2003	4,156	250	12.5	65	29,292	250	87.9	100.3	1,361.9
2004	3,666	250	11.0	65	30,817	250	92.5	103.4	1,465.3
2005	3,210	250	9.6	65	32,511	250	97.5	107.2	1,572.5
2006	2,788	250	8.4	65	34,342	250	103.0	111.4	1,683.9
2007	2,402	250	7.2	65	36,087	250	108.3	115.5	1,799.3
2008	2,050	250	6.2	65	38,259	250	114.8	120.9	1,920.3
2009	1,778	250	5.3	65	40,416	250	121.2	126.6	2,046.8
2010	1,449	250	4.3	65	42,563	250	127.7	132.0	2,178.9

Prepared by the House Research Agency

04-Mar-85

004238

LONGEVITY BONUS COST ANALYSIS

CSSB 56 and HB 210

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	258	44.3	65	3,419	253	10.4	54.7	104.9
1988	13,660	265	43.5	65	5,109	255	15.6	59.1	164.0
1989	12,974	273	42.5	65	6,854	256	21.1	63.6	227.6
1990	12,293	281	41.5	65	8,620	256	26.5	68.0	295.6
1991	11,616	290	40.4	65	10,292	256	31.6	72.0	367.6
1992	10,943	299	39.2	65	11,906	254	35.2	75.4	443.0
1993	10,273	307	37.9	65	13,588	250	40.8	78.7	521.7
1994	9,606	317	36.5	65	15,193	245	44.6	81.1	602.8
1995	8,945	326	35.0	65	16,946	238	48.3	83.3	686.1
1996	8,291	336	33.4	65	18,572	228	50.9	84.3	770.4
1997	7,644	346	31.7	65	20,048	216	52.1	83.8	854.3
1998	7,012	356	30.0	65	21,645	202	52.5	82.5	936.7
1999	6,396	367	28.2	65	23,160	184	51.3	79.4	1,016.2
2000	5,799	378	26.3	65	24,712	163	48.5	74.8	1,091.0
2001	5,225	389	24.4	65	26,234	139	43.7	68.1	1,159.1
2002	4,676	401	22.5	65	27,764	110	36.6	59.1	1,218.2
2003	4,156	413	20.6	65	29,292	77	26.9	47.5	1,265.7
2004	3,666	426	18.7	65	30,817	38	14.1	32.9	1,298.6
2005	3,210	438	16.9	65	32,511	0	0.0	16.9	1,315.5
2006	2,788	452	15.1	65	34,342	0	0.0	15.1	1,330.6
2007	2,402	465	13.4	65	36,087	0	0.0	13.4	1,344.0
2008	2,030	479	11.8	65	38,259	0	0.0	11.8	1,355.8
2009	1,778	493	10.5	65	40,416	0	0.0	10.5	1,366.3
2010	1,449	508	8.8	65	42,563	0	0.0	8.8	1,375.1

LONGEVITY BONUS COST ANALYSIS

HB 222 (Larkin, Bill -
Mandatory)

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus (millions)	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1	I	65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0	I	65	3,419	248	10.2	53.2	103.4
1988	13,660	250	41.0	I	65	5,109	245	15.0	56.0	159.4
1989	12,974	250	38.9	I	65	6,854	241	19.9	58.8	218.2
1990	12,293	250	36.9	I	65	8,620	237	24.6	61.4	279.6
1991	11,616	250	34.8	I	65	10,292	233	28.8	63.6	343.3
1992	10,943	250	32.8	I	65	11,906	228	32.5	65.3	408.6
1993	10,273	250	30.8	I	65	13,588	221	36.1	66.9	475.5
1994	9,606	250	28.8	I	65	15,193	214	39.0	67.8	543.3
1995	8,945	250	26.8	I	65	16,946	206	41.8	68.7	612.0
1996	8,291	250	24.9	I	65	18,572	196	43.7	68.6	680.6
1997	7,644	250	22.9	I	65	20,048	185	44.6	67.5	748.1
1998	7,012	250	21.0	I	65	21,645	173	44.9	65.9	814.0
1999	6,396	250	19.2	I	65	23,160	159	44.1	63.3	877.3
2000	5,799	250	17.4	I	65	24,712	143	42.3	59.7	937.0
2001	5,225	250	15.7	I	65	26,234	125	39.2	54.9	991.9
2002	4,676	250	14.0	I	65	27,764	104	34.8	48.8	1,040.7
2003	4,156	250	12.5	I	65	29,292	82	28.7	41.2	1,081.9
2004	3,666	250	11.0	I	65	30,817	56	20.8	31.8	1,113.7
2005	3,210	250	9.6	I	65	32,511	28	10.9	20.5	1,134.2
2006	2,788	250	8.4	I	65	34,342	0	0.0	8.4	1,142.6
2007	2,402	250	7.2	I	65	36,087	0	0.0	7.2	1,149.8
2008	2,050	250	6.2	I	65	38,259	0	0.0	6.2	1,155.9
2009	1,778	250	5.3	I	65	40,416	0	0.0	5.3	1,161.3
2010	1,449	250	4.3	I	65	42,563	0	0.0	4.3	1,165.6

LONGEVITY BONUS COST ANALYSIS

Begin Stairstep: FY 92
 Step Increment: 1
 Age Cap: None

HB 239

Fiscal Year	Over 65 by 1/86	Monthly Bonus	Cost (millions)	I I I	Eligibility Age	Reach 65 after 1/1/86	Monthly Bonus	Cost (millions)	Total Cost (millions)	Cumulative Cost (millions)
1986	15,039	\$250	\$45.1		65	1,705	\$250	\$5.1	\$50.2	\$50.2
1987	14,349	250	43.0		65	3,419	250	10.3	53.3	103.5
1988	13,660	250	41.0		65	5,109	250	15.3	56.3	159.8
1989	12,974	250	38.9		65	6,854	250	20.6	59.5	219.3
1990	12,293	250	36.9		65	8,620	250	25.9	62.7	282.1
1991	11,616	250	34.8		65	10,292	250	30.9	65.7	347.8
1992	10,943	250	32.8		66	9,982	250	29.9	62.8	410.6
1993	10,273	250	30.8		67	6,665	250	29.0	59.8	470.4
1994	9,606	250	28.8		68	3,346	250	28.0	56.9	527.2
1995	8,945	250	26.8		69	9,029	250	27.1	53.9	581.2
1996	8,291	250	24.9		70	8,710	250	26.1	51.0	632.2
1997	7,644	250	22.9		71	8,388	250	25.2	48.1	680.3
1998	7,012	250	21.0		72	8,059	250	24.2	45.2	725.5
1999	6,396	250	19.2		73	7,720	250	23.2	42.3	767.8
2000	5,799	250	17.4		74	7,370	250	22.1	39.5	807.3
2001	5,225	250	15.7		75	7,008	250	21.0	36.7	844.0
2002	4,676	250	14.0		76	6,637	250	19.9	33.9	878.0
2003	4,156	250	12.5		77	6,255	250	18.8	31.2	909.2
2004	3,666	250	11.0		78	5,864	250	17.6	28.6	937.8
2005	3,210	250	9.6		79	5,466	250	16.4	26.0	963.8
2006	2,788	250	8.4		80	5,063	250	15.2	23.6	987.4
2007	2,402	250	7.2		81	4,657	250	14.0	21.2	1,008.5
2008	2,050	250	6.2		82	4,254	250	12.8	18.9	1,027.5
2009	1,778	250	5.3		83	3,857	250	11.6	16.9	1,044.4
2010	1,449	250	4.3		84	3,473	250	10.4	14.8	1,059.1

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.

SB

56

(FILE 6):

MAILING

RESPONSES



April 17, 1985

John P. Trent
1700 East Tudor Rd.
Anchorage, AK 99507

Dear Mr. Trent.

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge soon.

Please don't hesitate to contact me again regarding this or any other issue of interest to you.

Sincerely,

Pat

Patrick M. Rodey

PMR/acp

*As a fellow runner
I appreciate your cor-
respondence.*

John P. Trent - Coordinator

"RUN & REJOICE"
PULSATORS RUNNING CLUB
2700 East Tudor Road
Anchorage, AK 99507

11 April 1985

Mr. Patrick M. Rodey
Alaska State Legislature
Senate
Committee on Judiciary
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Mr. Rodey:

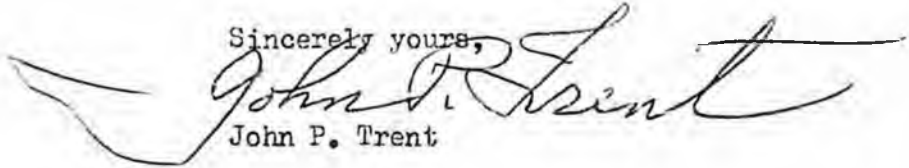
I favor passage of SB56 with certain compromises with House of Representatives approach to this measure. Since my wife and I are present recipients of the longevity bonus proposal, we could be expected to support such a measure that continues to assure long term Alaskan Residents with regular monthly payments from State Oil Revenues. As these revenues decline, there must be a proportionate decline in longevity benefits. I agree at this point too. Constitutionality as been a prior bogus on distribution of such payments. The annuity provisions of SB56 appear to leave the options open to younger Alaskan option to benefit from annuity provisions.

I am not in favor of half year Alaskans utilizing longevity bonus payments. Out of Alaska living should be curtailed to thirty days or less in order to continue as eligible longevity recipients. I also feel that longevity payments of \$250.00 a month should preclude receipt of Alaska Dividend money thereby merging senior citizen contribution to the annuity concept as a support and economy measure. In any measure, I favor continued longevity payments to Alaskan Residents over 65 years of age. The "phase out" of longevity payments by stair step of age requirements is offensive to fairness doctrine and would no doubt be challenged on constitutional grounds.

In appreciation for Senator Jan Faiks up date correspondence to me on this matter, I am enclosing a copy of this letter for her files.

cc: Senator Jan Faiks

Sincerely yours,


John P. Trent



April 10, 1985

Robert Y. Toyama
P.O. Box 3130
Anchorage, AK 99510

Dear Mr. Toyama:

Thank you for your response to my recent letter regarding the longevity bonus proposals. I only wish that all letters I receive were so warm and encouraging!

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Again, thank you for your comments. Please don't hesitate to contact me again regarding this or any other issue of interest to you.

Sincerely,

A handwritten signature in cursive script that reads "Pat".

Patrick M. Rodey

PMR/acp

Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Mr. Patrick M. Rodey,

April 5, 1985

Re: the dilemma on the longevity bonus.

First of all I like to thank you so much for helping senior citizens. You are very kind, thoughtful, considerate Senate. I have half a dozens friends who are receiving the monthly longevity bonus. I am semi-retired age 65 years and I don't think I can make it without the bonus. It sure did us good to pay some of the bills and high cost of living.

Please elucidate concerning SB56 program? I am sure you are doing the best and fair to all senior citizens of Alaska. We shall never forget you on voting time. My friends agree that you are the champion to our great cause. Thanks again.

When I have the substance just call to my attention, I definitely will contribute to your and our causes.

Respectfully yours,
Robert Y. Toyama
P. O. Box 3130
Anchorage, AK 99510
(907) 272-0492

Robert Y. Toyama



April 10, 1985

Victor Gonzalez
316 N. Klevin St.
Anchorage, AK 99508

Dear Mr. Gonzalez:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, please be assured that both the Senate and the House are committed to continuing full longevity bonus payments to current recipients. Since you are 67 years old at this time, you will continue to receive your payments each month.

Please don't hesitate to contact me again regarding this or any other issue of interest to you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat", is written over the typed name.

Patrick M. Rodey

PMR/acp

Anchorage, AK 99508

Mr. Patrick M. Rodey. April - 7/85

I am a senior's citizen of Alaska,
I was born on 1/2/18
now I have sixty seven year's
old

Please tell me where this
letter belongs after the 65 five
year old

Atte

Victor Gonzalez
VICTOR GONZALEZ
316 N. KLEVIN ST
ANCHORAGE, AK 99508

I send this letter

AFFIDAVIT

STATE OF ALASKA)
 : ss.
THIRD JUDICIAL DISTRICT)

VICTOR J. GONZALES, being first duly sworn,
deposes and states as follows:

1. I was born on 1/12/18.
2. I became a resident of Alaska on 7/23/76 ^{U.S.}

Further your affiant saith not.

Dated this ^{22nd.} ~~18th~~ day of January, 1985. _{U.S.}

AFFIANT:

Victor Gonzalez

AL.#0414215

SUBSCRIBED AND SWORN to before me this ^{22nd} ~~18th~~ day of January, 1985.

Jonathan L. Sims

Notary Public in and for Alaska

My Commission Expires: 1-18-87



April 12, 1985

Irving Jones
4000 E. 142nd Ave.
Anchorage, AK 99516

Dear Irving:


Thank you for your kind response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge soon.

Above all, please be assured that both the Senate and the House are committed to continuing full longevity bonus payments to current recipients.

Please don't hesitate to contact me again regarding this or any other issue of interest to you.

Sincerely,


Patrick M. Rodey

PMR/acp

Unsharage

Dear Senators;

I was pleased to receive a letter from you concerning the Longevity Bonus program. I am in favor your bill 56 plus a program with special emphasis on helping low and middle income senior citizens.

We senior citizens of this state are pleased that you're on our side. We feel a program to continue our 250.00 dollars a month. you also have the support of labor union and non union members I am a semi-retired from local # 341-, but I am still

a member of the C. I. C.
I know Bill Robinson, Manoy
Luy plus a few other people
in so call high places in-
cluding the governor. I have
wined live in your district
but I know you far ten years
Can you have the title of
being the people legislator.

Friendly yours
"Ding"



April 8, 1985

John F. Sume
HCR64 Box 457
Seward, AK 99664

Dear Mr. Sume:

I appreciate your response to my recent letter regarding the longevity bonus proposals.


The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing full longevity bonus payments to current recipients. Your wife, turning 65 in July, will also be assured of a full longevity bonus payment under any of the plans being considered.

The 25-year residency requirement was struck down last year by the Alaska Supreme Court on the grounds that it in effect created different classes of Alaskans, and thereby violated the Equal Protection Clause of the U.S. Constitution. The one-year residency requirement is considered to be a reasonable amount of time, and applies to many other state programs, as well.

Again, thank you for your comments. Please don't hesitate to write again regarding longevity bonus or any other issue of interest to you.

Sincerely,


Patrick M. Rodey

PMR/acp

March 31, '85

Dear Mr. Rodup:

In response to your message printed on the reverse side, I do have a question.

If the annuity plan is adopted just what can we expect? How much would the checks be, etc? My wife will be 65 in July and ~~has~~^{we have} lived in Alaska for 42 years. She will not be in the present plan of the longevity bonus program and since permanent fund checks have not be deposited to the annuity fund at that time I am wondering what her status will be?

I am also curious about the fact that if a one year residency requirement is legal (or constitutional) why isn't a 25 year requirement legal. At the time of this controversy the news media stated it was all a matter of the wrong wording being used in the original bill that made it illegal. Then why can not that wording simply be changed to include anyone that lives in Alaska for 25 years and is 65 yrs old, and just eliminate the clause of being here at the time of Statehood?

I would appreciate a clarification of this.

Thank you.

Sincerely
John & Lume



April 8, 1985

Mrs. Rosella Diethrich
1280 E. 17th Ave. #309
Anchorage, AK 99501

Dear Mrs. Diethrich:

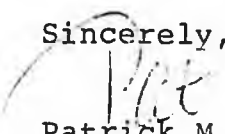
I appreciate your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients. Also, there will be no effect upon your permanent fund dividend.

Again, thank you for your comments. Please don't hesitate to write again regarding longevity bonus or any other issue of interest to you.

Sincerely,


Patrick M. Rodey

PMR/acp



Official Business

Alaska State Legislature

Senate

Committee on Judiciary

Senator Pat Rodey, Chair
Senator Tim Kelly, Vice-Chair
Senator Jan Faika
Senator Rick Ralford
Senator Robert Ziegler

Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

Dear Friend:

I'm sure you're aware that the solution to the longevity bonus dilemma is one of the most difficult decisions facing the Alaska Legislature this year. This dilemma was caused by last year's Alaska Supreme Court decision declaring our current program unconstitutional. There is much debate about what form the new program should take. Proposals include an annuity program, a "stair-stepping" approach, and a program with special emphasis on helping low and middle-income senior citizens.

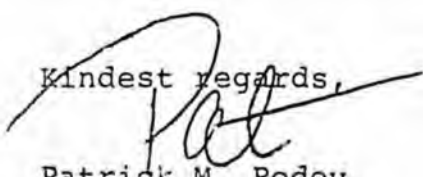
Please be assured that whatever form of longevity bonus replacement emerges from the legislature, my primary concern is to protect those seniors who are currently enrolled in the longevity bonus program. I am also committed to resolving the issue this year - - Alaska's seniors deserve the certainty of knowing their longevity bonus payments are secure.

The Senate Judiciary Committee, which I chair, recently held hearings on SB56, a bill which asks all Alaskans under age sixty-five to trade their annual permanent fund dividend checks for annuity shares which will produce monthly payments after sixty-five. Much work has gone into SB56, but some questions remain to be answered. The Senate favors the annuity approach and passed this bill on March 21.

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I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

kindest regards,


Patrick M. Rodey

March 28, 1985

Sen. Pat Rodey-

I would like to learn what the bill SB56 would mean to someone like me, who is already over 65 years old. I will be 76. April 14, 1985. In my case, how would that affect the permanent Fund?

Thank you.

Rosella D. Dietrich

1280 E. 17th Ave. #309

Anchorage AK. 99501



April 8, 1985

Lorena Showers
P.O. Box 101978
Anchorage, AK

Dear Lorena:

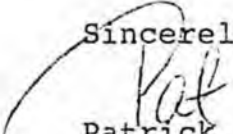
I appreciate your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients, while also addressing the other needs of senior citizens.

Again, thank you for your helpful comments. Please don't hesitate to write again regarding longevity bonus or any other issue of interest to you.

Sincerely,


Patrick M. Rodey

PMR/acp

*Your letter was great.
I wish some of the
legislators knew as
much as you!*

March 29, 1985

Patrick M. Rodey, Senator
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

*She is a personal friend
of PMR*

Dear Senator Rodey:

As you know, many of my friends as well as myself are concerned in the final longevity bonus bill which will be enacted during this session of the Legislature.

We are most concerned that it will not lower those currently eligible for the bonus. A needs program based on income for senior citizens sounds very good to many. It is a very unfair approach to the problem, however, when you set the limit on income and those just below the amount receive more than those just above that figure. As was earlier suggested, those under a \$25,000.00 income would receive \$250.00 a month and those over would receive \$100.00 per month. This is a completely unrealistic approach. The person just over the \$25,000.00 may live alone and not be eligible for low income housing so must therefore pay high rent, have no transportation provided, must shop, buy groceries and meet other basic needs. This person has greater needs than the citizen under \$25,000.00 who lives with family, has meals with them and has transportation provided for recreation, doctors appointments, etc.

Senior citizens needs such as more health care, dental care, hearing aids, prescriptions, etc. should be considered rather than bonus money at the expense of a lower bonus for Pioneer Alaskans.

Since under the former plan the bonus was to eventually be phased out, I sincerely feel that the stair-stepping approach to be a better solution. In any event, I feel you should not support a plan that is based on a needs approach. Even the annuity program would be good. All younger persons should save for the time when they can no longer work. Where would many of the senior citizens in the United States be today if they did not have the Social Security and Medicare programs? Most did not voluntarily pay into it, but they now have the benefit of a higher quality of life because of their monthly checks.

I thank you and appreciate your recent letter and know of your interest in all Alaskans.

Best wishes to you.

Sincerely,

Lorena Showers

Lorena Showers



April 8, 1985

Ms. Fay Malone
406 9th Ave. E.
Anchorage, AK 99501

Dear Ms. Malone:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Again, thank you for your comments.

Sincerely,

Pat

Patrick M. Rodey

PMR/acp

I agree with you on the death penalty and the sale of stock in the Railroad.



MS. FAY MALONE
406 9TH AVE. E.
ANCHORAGE
99501



Senator

Pat Roddy

Rank V State Capitols

Juneau

Alaska 99811

4 - 4 - 85 -

Pat Radey.

Dear Sir a few lines to thank you for the letter about the Longevity Bonus program. I hope it can be saved, I know some seniors that would not be able to pay the High rent if it was chopped off. As for me - I worked hard during the 35 years I have been here and got my Home paid for - and at 81. I thank God each day. I don't have the money so many seniors have. From reading the newspaper it shows us all the time the New state building should be built - now it would be cheaper for the state in the long run and you would be where the largest population is and the people could conduct you better. Also I am for the death penalty where they are dead you as no one else will have to worry about them getting out & repeating their crime also it cuts down on the over head cost.

And how about selling stock in the rail road to raise money for new equipment. I would buy with my dividend check. If it meant to buy price like 25'00 for common stock. Will guess

This is enough for now. Wish you the best and hoping you have a lot of headache pill handy.

Sincerely
Gay Malone.



April 8, 1985

Esther Ipalook
2213 E & 3rd #7G
Anchorage, AK 99501

Dear Esther:


Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients like yourself.

Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp

Anchorage, Alaska

Mar. 31, 1984

Mr. Patrick M. Rodey,

Dear Sir:

I am sixty nine years old. I am very thankful for the Longevity Bonus checks which come monthly. Without it I would not be able to help pay ~~the~~ ^{the high} rent.

So I certainly wish they would not be discontinued.

Thank you.

Sincerely

Esther Spalook
2213 E. 43rd. # 76

Anchorage, Alaska
99501



April 8, 1985

Jack and Gladys Taylor
2106 W. 45th
Anchorage, AK 99503

Dear ~~Mr. and Mrs.~~ ^{JACK and GLADYS} Taylor:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments and kind words of encouragement.

Sincerely,

Kat
Patrick M. Rodey

PMR/acp

Your letter was very well written. I agree with you on "Start Stepping" and permanent fund dividend.

Dear Senator Pat.

Thank you very much for the informative letter concerning the various forms the longevity bonus program could be continued.

We would respectfully encourage you to pursue the stair stepping form (the house version) that would end the program eventually. I can't see how we can continue the program forever.

We further suggest that all recipients of the longevity bonus be eliminated from the permanent fund, to receive both, seems very unfair.

My wife Gladys joins in wishing you continued success in representing our district.

Kindest regards.

Jack F. and Gladys B. Taylor
2106 W 45th.

P.S. We are 36 yr. residents Anch. AK. 99503
and we would rather see
the bonus plan discontinued,
than to have it on the basis
of need.

Thanks.

Dear Ben, Pat

There is a follow up letter from the
one I wrote you recently. I'm afraid I

suggested that you support the former names

of the long-term names, since that time

to order has been added to that name.

That makes it doubly unfair.

My birthday is Sept. 6. on that day

in 1986 I will be 65 yrs old. If the

order is permitted to stand I will miss

the service by 2 mo. and I wish that to unfair.

as I am a 36 year older resident, and

then will be hundreds of 1 and 2 year

residents who will receive the same pay life.

I hope you take this into consideration when

~~the~~ your decision this analysis with the

other members.

My wife, Gladys and I will give

Comments (over) regarding our district

Respectfully

Jack + Joylyn
2106 W 45th

Anch. AK 99503



April 8, 1985

Oliver F. Foreman
P.O. Box 4-1576
Anchorage, AK 99509

Dear Mr. Foreman:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Again, thank you for your comments.

Sincerely,

Pat
Patrick M. Rodey

PMR/acp

I agree with your position on "stair stepping"

THE FOREMAN'S
P. O. BOX 4-1576
ANCHORAGE, ALASKA 99509-1576
TELEPHONE, (907) 279-1736

March 29, 1985

As a forty-one year resident of Alaska, I can think of many dilemmas whose solutions, if approached, would require much more difficult decisions and be far more valuable to our state than the longevity bonus. Many of our state's present and continuing problems can be traced to our many "give-away" programs. Alaska is, and has been, good to all of us. Residence provides us pleasure and opportunity. Why should we be paid for having enjoyed them?

The "stair-stepping" approach seems the humane way to phase out an ill-conceived program.



Oliver F. Foreman

P. S. If you want my family's votes in the next election, vote against funds for the Northern Lights Road project which has no basis for first priority in Anchorage in 1985.



Official Business

Alaska State Legislature

Senate

Committee on Judiciary

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Senator Tim Kelly, Vice-Chair
Senator Jan Paik
Senator Rick Halford
Senator Robert Ziegler

Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

Dear Friend:

I'm sure you're aware that the solution to the longevity bonus dilemma is one of the most difficult decisions facing the Alaska Legislature this year. This dilemma was caused by last year's Alaska Supreme Court decision declaring our current program unconstitutional. There is much debate about what form the new program should take. Proposals include an annuity program, a "stair-stepping" approach, and a program with special emphasis on helping low and middle-income senior citizens.

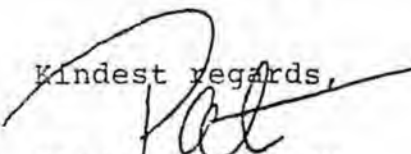
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The Senate Judiciary Committee, which I chair, recently held hearings on SB56, a bill which asks all Alaskans under age sixty-five to trade their annual permanent fund dividend checks for annuity shares which will produce monthly payments after sixty-five. Much work has gone into SB56, but some questions remain to be answered. The Senate favors the annuity approach and passed this bill on March 21.

The House appears to be headed towards approving a "stair-stepping" approach, which would limit the number of people who would participate in the future by raising the age of eligibility each year. As the group of eligible Alaskans dwindles over the years, the program would eventually phase itself out.

I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

kindest regards,


Patrick M. Rodey



April 8, 1985

Vincent J. Doran
3811 Knik Ave.
Anchorage, AK 99503

Dear Mr. Doran:

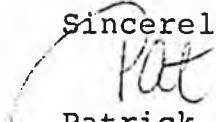
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Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp

*I agree with you
on the "Start Stepping"
proposal.*

29 March 1985

Dear Senator Rodey:

Thank you for writing.

A welfare program to aid needy older persons should be a separate subject from the longevity bonus. They are not synonymous.

The wild spending spree of the state legislature over the past few years is slowing down because of dwindling revenues, and the prospect of even further reductions from the fountainhead: oil.

Many programs will have to be reduced, including the longevity bonus.

Something like the stair-stepping method may be a desirable solution.

Vincent J. Doran
VINCENT J. DORAN
3811 KNIK AV
ANCHORAGE, AK 99503



April 8, 1985

David R. Young
Box 693
Cocper Landing, AK 99572

Dear Mr. Young:

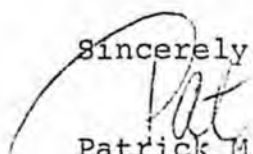
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Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp

*I agree with you
a "phase out" if -
best approach!*



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Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

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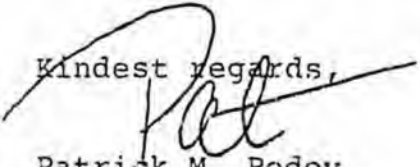
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I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

Kindest regards,


Patrick M. Rodey

Box 693
Cooper Landing, AK 99572
April 1, 1985

Senator Pat Rodey
Pouch V
State Capitol
Juneau, AK 99811

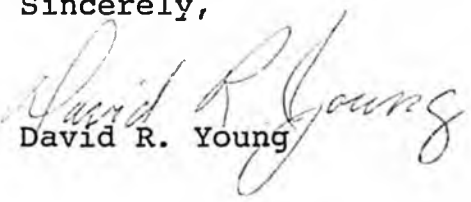
Dear Pat:

I agree with you that the longevity bonus issue will be a tough nut to crack. At the present time I lean towards the house version--let it phase itself out.

With the large increase of population every year, I am sure there will be an increase of older persons who will be eligible after being here a year. These are the ones I can't see receiving the bonus. If the annuity plan will cut out the above-mentioned, I'll go along with that aspect.

I am sure you and your fellow legislators will come up with a good solution to this difficult problem.

Sincerely,


David R. Young



April 8, 1985

M. A. Miles
1407 Otter St.
Anchorage, AK 99504

Dear M.A.:

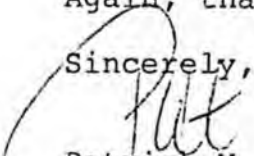
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Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp

*I agree that a
"step" approach to
the longevity bonus is
a good idea.*

THE FEDERAL PROGRAM IS EXPANDED AND
HAS BEEN A CONTRIBUTION TO THE STATE OF
YOUR TIME TO INCOME DECLINES. INCREASE
THE LIFE EXPECTANCY WITH IN THE FUTURE
ENHANCE THE NUMBER OF RECIPIENTS' PAYMENT
CONTRIBUTING THE FINANCIAL BURDEN. SO
THE PROGRAM SHOULD BE OPERATIONAL PHASES
OUT. HOWEVER, THOSE CURRENT RECIPIENTS WHO
ARE RECEIVING BENEFITS SHOULD NOT BE
EXCLUDED COMPLETELY BY ESTABLISHING A
LIVED OUT-OF-STATE OR USE. RECIPIENTS
USING A SIMILAR METHOD, THE BENEFITS
WAS COULD BE INCREASED MORE SOONER THAN
THE LESSON MEANING EFFICIENCY USES.
FOR EXAMPLE, IN THE USE OF EFFICIENCY
WAS INCREASED ONE YEAR EVERY TWO YEARS.
PERSONS NOW BEING ASKED TO USE MORE
BECOME EFFICIENT AT YOUR SERVICE. ETC.



Official Business

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Senator Robert Ziegler

Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

Dear Friend:

I'm sure you're aware that the solution to the longevity bonus dilemma is one of the most difficult decisions facing the Alaska Legislature this year. This dilemma was caused by last year's Alaska Supreme Court decision declaring our current program unconstitutional. There is much debate about what form the new program should take. Proposals include an annuity program, a "stair-stepping" approach, and a program with special emphasis on helping low and middle-income senior citizens.

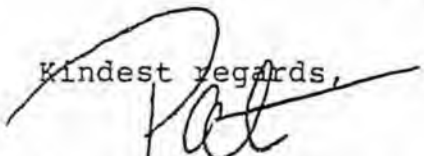
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The House appears to be headed towards approving a "stair-stepping" approach, which would limit the number of people who would participate in the future by raising the age of eligibility each year. As the group of eligible Alaskans dwindles over the years, the program would eventually phase itself out.

I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

Kindest regards,


Patrick M. Rodey

Sincerely,
M. G. Miles
1407 Otter St
99504

Pat - Thanks for the update. Here's a comment about the plan that I haven't heard. To me it appears to have much merit. Please consider it as a compromise.

ALASKA STATE SENATE

PATRICK RODEY
SENATOR

POUCH V
JUNEAU, ALASKA 99811
(907) 465-3793
(907) 465-3754



April 8, 1985

M. A. Miles
1407 Otter St.
Anchorage, AK 99504

Dear (M.A.): MAXWELL

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,

Patrick M. Rodey

PMR/acp

I agree that a "step" approach to the longevity bonus is a good idea.

1ST IND. 4-25-85

JUST ANY OLD "STEP" APPROACH IS NOT GOOD. I FEEL THAT AN INTERMITTENT OR "STUTTER-STEP" METHOD IS BEST,

WE BOTH REALIZE THAT THE STATE CANNOT CONTINUE THE LONGEVITY BONUS PROGRAM INDEFINITELY - WE SOON RUN OUT OF MONEY, AND THE ANNUITY - PERMANENT FUND APPROACH IS FRAUGHT WITH INNUNERABLE PITFALLS. HENCE MY SUGGESTED APPROACH OF A CARROT AND AN AXE. INCREASE THE ELIGIBILITY AGE ONE YEAR EVERY TWO YEARS

THANKS FOR YOUR CONTINUED INTEREST,

Maxwell



April 8, 1985

Anna M. Hansen
309 East Manor Avenue
Anchorage, AK 99501

Dear Anna:


Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp

*I agree with you
on "stairstepping"*



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Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

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this one - The House appears to be headed towards approving a "stair-stepping" approach, which would limit the number of people who would participate in the future by raising the age of eligibility each year. As the group of eligible Alaskans dwindles over the years, the program would eventually phase itself out.

I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

Kindest regards,

Pat
Patrick M. Rodey

I like the 'stair stepping' approach bill. It is more like the original one!

ANN M. HANSEN
309 East Manor Avenue
Anchorage, AK 99501

*Sincerely,
Anna M. Hansen*



April 8, 1985

William M. Mack
2620 Karluck Street
Anchorage, AK 99508

Dear Mr. Mack:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,

A handwritten signature in dark ink, appearing to read "Patrick M. Rodey", is written over the typed name.

Patrick M. Rodey

PMR/acp

April 1, 1985

Senator Patrick M. Rodey
Pouch V, State Capital
Juneau, Alaska 99811

Dear Senator Rodey:

I thank you very much for your recent letter regarding the longevity bonus program and apologize for not responding sooner as I have been outside.

Frankly, I feel that the program never should have been started but since it is operating, there is no reason current legislators should take the heat of cancellation.

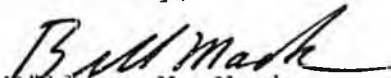
I am adamantly against the Governor's proposal to make this a welfare program as there are other ways of satisfying the needs of those with financial problems.

Other than that I would leave it up to your own good judgement to focus on the best proposal before you.

Please know that I greatly appreciate your letter and inquiry. Others have not expressed an interest in seeking our opinion.

Thanks again and know that you have my future support as in the past.

Sincerely,


William M. Mack

2620 Karluk Street
Anchorage 99508



April 8, 1985

Margaret A. Cook
Box 4-458
Anchorage, AK 99509

Dear Margaret:

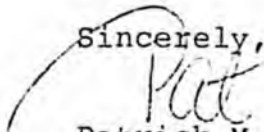
Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp

*I agree with you
on phasing out of
the program*

Box 4--458
Anchorage, Alaska 99509
April 1, 1985

Senator Pat Rodey, Chair
Senate Judiciary Committee
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Senator Rodey: Re: Longevity Bonus Program

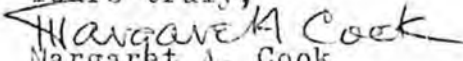
The original intent of the longevity bonus program was to reward Alaskans who had been up during the developmental days of this great state. The program would have gradually phased itself out. I feel that the original plan was generally understood and accepted by most Alaskans. Unfortunately, the Supreme Court disagreed with this commendable plan and its constitutionality was denied, which has thrown our state into a turmoil and changing the intent of the legislature to reward the old-timers.

As Alaskans expected it to be phased out eventually, I suggest that you support a phasing out of the program. I do not think that any of the legislators would have voted a bonus to everyone over 65; our state was not financially able to offer this luxury to all Alaskans forever. If it is phased out now, I know that some of those who have been here since before statehood will be unable to receive a reward as intended. However, the state cannot continue the program indefinitely.

I urge you to support a phasing out of the program. I realize that this program has become an albatross to the legislature, but I believe that the majority of the people consider stair-stepping approach as an equitable solution. I think the permanent dividend checks will have to be phased out eventually, too, and we'd be faced with a similar problem.

Thank you for asking.

Yours truly,


Margaret A. Cook

April 8, 1987

Alice O'Day
2224 Candy Place
Anchorage, AK

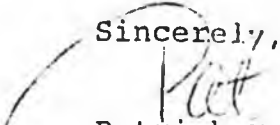
Dear Mrs. O'Day:

Thank you for your response to my recent letter regarding the longevity bill.

The legislature is continuing in its effort to solve the longevity bill. Senate and House members have been asked to a joint committee for the purpose of harmonizing differences between the two primary proposals. I am confident an available compromise will emerge by the end of the session.

Again, thank you for your response.

Sincerely,


Patrick M. Pease

PMR/acp

March 31, 1985

Senator Rodey

Re: Longevity - Annuity

At seventy-plus years, I fall well within the criteria of either the Senate or House Program. But I strongly favor the annuity plan put together by the Task Force chaired by Governor Hammond and put into bill form by Senator Ray. I am totally against the stair stepping program by some members of the House. Longevity, in its original concept, was to reward the "old timers" by giving funding to cover Alaska ex-

2
penses so they could stay
in their homes in Alaska.

Believe me, the youngsters,
who pioneered with us,
did as much, were deprived
of as much, and suffered as
much (perhaps more) as any of
us 'old timers.'

When we first went into
our area, (just west of Bonface and
south of ^{Johnson} ~~St~~ ^{Spencer} Park), there were
no roads, no electricity, no Phones
no water — on Saturday night
our bathtub was a wash tub set in
front of the heater and filled with
water hauled in barrels, — the
rest of the bathroom — unheated —
was like the little house out back.
Our son walked through the

woods protected from the
moose by his father
carrying a gun, to catch a
school bus (for which we were
so thankful) to go to school in
shifts.

AND we had it easy! —
just read Once Upon The
Kenai. (I think that book
should be required reading
for many members of the House.)

Many of our Alaska families
today are out establishing homes
in what is now the "middle-
of nowhere", going through
many of the same experiences
we did. Their contributions to
the State of Alaska will be
as great as ours (perhaps greater)

and they too should share! ⁴

My son strongly favors the annuity plan - as do others who went through those days with him that I have talked too. Alaska is my son's home; it is the home of ~~the~~ many who have ^{Dad's} his experienced!

He is in favor of depositing his Permanent Fund checks into the Senate Annuity Plan.

Remember! there is only one alternative to growing old -

Alice O'Ray



April 8, 1985

Rev. Peter Houck O.S.B.
Pouch 6604
3200 Providence Dr.
Anchorage, AK 99502

Dear Reverend Houck:

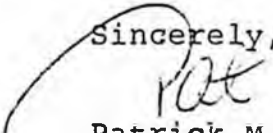
Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,


Patrick M. Rodey

PMR/acp



Official Business

Alaska State Legislature

Senate

Committee on Judiciary

Senator Pat Rodey, Chair
Senator Tim Kelly, Vice-Chair
Senator Jan Faika
Senator Rick Halford
Senator Robert Ziegler

Pouch V
State Capitol
Juneau, Alaska 99811

March 25, 1985

Dear Friend:

I'm sure you're aware that the solution to the longevity bonus dilemma is one of the most difficult decisions facing the Alaska Legislature this year. This dilemma was caused by last year's Alaska Supreme Court decision declaring our current program unconstitutional. There is much debate about what form the new program should take. Proposals include an annuity program, a "stair-stepping" approach, and a program with special emphasis on helping low and middle-income senior citizens.

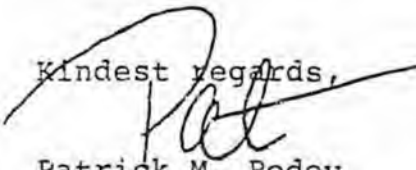
Please be assured that whatever form of longevity bonus replacement emerges from the legislature, my primary concern is to protect those seniors who are currently enrolled in the longevity bonus program. I am also committed to resolving the issue this year - - Alaska's seniors deserve the certainty of knowing their longevity bonus payments are secure.

The Senate Judiciary Committee, which I chair, recently held hearings on SB56, a bill which asks all Alaskans under age sixty-five to trade their annual permanent fund dividend checks for annuity shares which will produce monthly payments after sixty-five. Much work has gone into SB56, but some questions remain to be answered. The Senate favors the annuity approach and passed this bill on March 21.

The House appears to be headed towards approving a "stair-stepping" approach, which would limit the number of people who would participate in the future by raising the age of eligibility each year. As the group of eligible Alaskans dwindles over the years, the program would eventually phase itself out.

I am confident that by working with a spirit of cooperation, the House and Senate will work out a compromise bill this session which will also meet the Governor's approval. Meanwhile, I invite you to contact my office if you have questions or comments concerning SB56 or any other longevity bonus proposal.

Kindest regards,


Patrick M. Rodey

The Senate Bill is the better one
Rev Peter Hunk
Providence Hospital
June 99502



April 8, 1985

Fermo Albertini
Box 978
Anchorage, AK 99510

Dear Mr. Albertini:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Above all, you may rest assured that both the Senate and House are committed to continuing longevity bonus payments to current recipients.

Again, thank you for your comments.

Sincerely,

Patrick M. Rodey

PMR/acp

*I appreciate your
confidence.*

Anchorage, 3 - 28 - 85

Dear Mr. Rodey, I appreciate the nobility of your letter, I don't deny that I would be delighted of the permanency of the longevity bonus, I dread to express an opinion or start a polemic in that regard; with a stalwart like you, I got little to worry about the decision trend in Juneau.

Hoping you will forgive me for abstain in any advices I am trusting you in full.

Fermo Albertini



April 8, 1985

Joe Graham
4107 Minnesota Dr.
Anchorage, AK 99503

Dear Mr. ~~Graham~~^{JOE}:

Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals. I feel certain an equitable compromise will emerge by the end of session.

Again, thank you for your comments.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat", is written over the word "Sincerely,".

Patrick M. Rodey

PMR/acp

ALASKA SERVICESP. O. BOX ~~XXXX~~ 101157
ANCHORAGE, ALASKA 99510

March 29, 1985

Dear Pat:

Your letter of March 25th sure gets ones goat. You guys have been down there nearly 3 months and you are pissing around with non things like seat belts and lawyers pension program like the bar owners liability crap.

Why have you not got that legislative pay back to reason. It was even too high before it was raised?????????

Why have you not straightened out the present credit reporting scandal where one person's credit affects another party??????

Why have you not eliminated ALL pensions for elected governmental positions (I will npt call them jobs) in Alaska so there is some fairness in the system??????????

Why do you not call the longevity by its right name so that it does not suffer attack for the wrong reasons????????? The intent of the program was to be RESIDENCY RETAINMENT FOR US CITIZENS IN ALASKA. With the right name it probably would not have gotten so screwed up in court. Additipnally it was pursued in court by those with not will to win or who were against the program. It should have been taken to the US Supreme Court where it could have beer. looked at along with the thousands of government programs that have discriminating but not unfair guidelines such as:

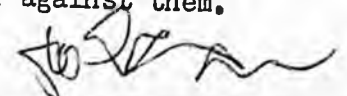
1. To run for president one must be 35 not 2 years old.
2. The above also applys to US seantors.
3. Entrance to federal academeys have very strict rules.
4. Military rank advancement has numerous requirements.
5. To raise a marine engineer or mate license takes definte years and more.
6. To collect social security one must be at least 62.
7. To get a passport one must be a citizen.
8. Government recognizes validity of business retirement rules.
9. I could spend weeks on this discrimination list and still only scratch the surface and am sure you could to.

This residency retainment program is not all one way. The state and local government retain stabalized families businesses have customers children know grandparents and aunt and uncles communities have continuity there us no brain drain there e volunteers to do so much of the necessary volunteer work and this can go on for page after page.

The three bills under consideration with regard to the residency retainment are stinking swindles and to think that is all you overpaid clowns can come up with leads one to the overwhelming conclusion that government is crime and crime is growing by leaps and bounds. The fact that I have to tell you all this proves my point.

For a change do something FOR the citizens instead of against them.

Yours truly, Joe Graham



ALASKA STATE SENATE

PATRICK RODEY
SENATOR

POUCH V
JUNEAU, ALASKA 99811
(907) 465-3793
(907) 465-3754



TO: Senator Robert Ziegler

FROM: Senator Patrick Rodey, Chairman
Senate Judiciary Committee

DATE: April 8, 1985 *Pat*

RE: SB7; Reinstating State Income Tax

Thank you for your kind note regarding career opportunities. You may rest assured that SB7 will be calendared for hearing in Senate Judiciary Committee very shortly.

Alaska State Legislature

SENATOR
ROBERT H ZIEGLER SR
307 BAWDEN STREET
KETCHIKAN ALASKA 99901

WILE IN JUNEAU
POUCH V
JUNEAU ALASKA 99811



Senate

MEMBER
SENATE JUDICIARY COMMITTEE
SELECT COMMITTEE ON LEGISLATIVE ETHICS
WESTERN STATES LEGISLATIVE
FORESTRY TASK FORCE
EXECUTIVE COMMITTEE
WESTERN LEGISLATIVE CONFERENCE
COUNCIL OF STATE GOVERNMENTS

ALTERNATE MEMBER
NATIONAL CONFERENCE OF STATE LEGISLATURES
STATE AND FEDERAL ASSEMBLY
COMMITTEE C:
FEDERAL TAXATION TRADE AND ECONOMIC DEVELOPMENT

April 2, 1985

PERSONAL AND CONFIDENTIAL

Senator Patrick Rodey,
Chairman - Senate Judiciary Committee
Alaska State Legislature
Juneau, Alaska

Re: SB 7.

Dear Pat:

After we hear the Governor tomorrow, consideration of SB 7 might become appropriate.

This might be your opportunity to become a statesman as contradistinguished from a politician!!!

Regards,

Robert H. Ziegler, Sr.

RHZ:lk

*Send note -
Committee (will
schedule it)*

April 16 1985

Franklin J. Lunde
1025 E. 11th Ave, Apt 2
Anchorage, Alaska 99501

APR 19 1985

State of Alaska
Sergey Bonny
Department of Administration
Juneau, Alaska 99801

april 12

To whom it may concern:

I recently learned a
certain person Alaska State Legislature
was being a personal letter pertaining
to the Sergey Bonny

I am quite satisfied
with the other way the Sergey
Bonny is handled. It would be

most important to be placed
 in an appropriate states and also,
 to receive a commitment in one form
 from the 1950s - also must have
 some expenditure - in 1950s. It
 was also a major political
 a great deal of a success that
 legislative was for problems
 slowly a parliament that take the way
 they announced in 1950s and
 passed down to a conclusion
 a - 1950s

about the time
 citizens - some Alaska, come back
 here to live and have to start
 from scratch all over again. Also,
 that only who come to Alaska

to get back in the excellent performance.

Produce to say that
we are fortunate that the
state is for the land and we see.
The attorney is very kind
to us all.

I take out way you
request a receipt of money received.
You seem to be content and
would not, I do not try to take
advantage of your help.

Yours truly,

Francis J. Kelly

April 28, 1985
1250 E 17th Ave., Apt 336
Anchorage, AK 99501

Senator Pat Rodley
Alaska State Legislature
Poussah
Juneau, AK 99811

Dear Senator Rodley,

Thank you for your letter of March 25th. I have been interested and watching the progress, we lack thereof, of the Longevity Bonus problems.

My own feelings are: It is stepping would be almost criminal in eliminating Alaskans born and living continuously in Alaska for just short of 65 years.

The annuity program had me puzzled for some time as nobody was mentioning the amount of annuity would be available at age 65. Now I've read it would be \$250-. My question with this is that children would have their funds put into an annuity and receive only \$250- at 65. With the fund acquiring interest for 40 to 64 years, \$250- seems not a fair return. Exponentially, recalling that old saw for 65 years, any amount would have earned a sum well over \$250- plus.

to Senator Ted Rodey.
from Edna Adrian

April 25th
Page 7.00

Perhaps a percentage of one's contributions based on life expectancy could be a viable procedure

Also, perhaps a base of some sum could be used to return to one's beneficiary if no return is never paid to the annuitant.

Sincerely,
Edna Adrian

EDNA ADRIAN
1280 E. 17th Ave
Anch, AK 99501

Please excuse writing
by eye, you know.
Hope you can decipher.

Alaska State Legislature

Senator Pat Roddy

Dear friend:

Thank you for your letter and
your caring about the Seniors.

S B 56 sounds like a good
way to handle the issue.

And I think a good many of true
Alaskans will agree.

I leave the job you are doing
for the Alaskans.

Sincerely
Harold J. Leggett



May 3, 1985

Harold T. Isgrigg
1904 Jefferson Ave.
Anchorage, AK 99503

Dear Mr. Isgrigg:

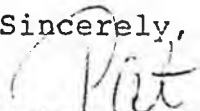
Thank you for your response to my recent letter regarding the longevity bonus proposals.

The legislature is continuing in its' effort to solve the longevity bonus question this year. Senate and House members have been appointed to a joint committee for the purpose of hammering out differences between the two primary proposals.

Above all, you may be assured that both the Senate and the House are committed to continuing full longevity bonus payments to current recipients.

Please don't hesitate to contact me again regarding this or any other issue of interest to you.

Sincerely,


Patrick M. Rodey

PMR/acp

SB

56

(FILE 7):

PRESS

Governor to sign

by Rita R. Robison

Gov. Bill Sheffield will sign the legislature's controversial Longevity bill, even though he's unhappy with the last-minute compromise between the House and Senate.

"The governor can't change the bill, and the issue cannot be solved now by a veto," said John Greeley, Sheffield's press secretary.

The bill, CCSSB 56, calls for an advisory vote of the people on whether the state should set up an annuity plan to replace the current Longevity Bonus program.

It would continue monthly payments of \$250 for those now in the program, and add to the bonus roster Alaskan seniors who turn 65 on or before January 1, 1988.

State officials estimate over

3,500 more seniors will be eligible to receive the bonus by that cutoff date.

Under the compromise measure passed by legislators, it appears lawmakers will be able to take up the bonus issue again in 1987. They are not required to institute the annuity system even if the voters give the annuity their okay.

Sheffield is concerned that the cost to the state treasury of the legislature's bonus compromise in times of declining revenue could be significant, said Greeley.

And the governor thinks the wording of the ballot proposition needs to be clearer, the press secretary added.

Greeley said the wording must state exactly what a vote means.

"What are they (the people)

Tenakee Springs, many residents lost their homes.

Since then most of the residents have qualified for disaster assistance loans from the Housing Assistance Division of the Department of Community and Regional Affairs (CRA).

But three seniors — Russell and Grace Heath and Martha Pasqua — did not qualify for relief and when CRA loan examiner Mary Jo Genes discovered that she couldn't "okay"

Genes was a nated designs, and transportate the two homes for seniors.

Throughout ear May, a labo. work \$10,000. wort build the homes in the

According Alaska Marine tem gave free

Governor to sign bonus bill

Continued from page 1

current system is a temporary.

Legislators adopted it at the end of the 1984 session after the Alaska Supreme Court declared the original Longevity Bonus program unconstitutional because of its 25-year residency requirement. Bonuses are now available to people age 65 and over who have lived in Alaska one year.

Finding a permanent solution to the bonus issue topped the

list of priorities for lawmakers and the governor this year due to the anticipated increase in the cost of providing the \$250-monthly payments for a growing senior population.

Even though solving the bonus issue topped everyone's priority list a solution proved elusive. The House-passed version of the bonus bill called for a phase-out of the program, so that those who turned 65 after this year would never receive a bonus. The Senate passed the an-

nunity bill, which will appear on the ballot.

The first conference committee appointed to resolve differences between the two bills failed to come to an agreement. The second committee, faced with Sheffield's threat to call a special session if the issue was not resolved, decided to put the question on the ballot.

Despite final passage of the bill, there are those who claim the legislature actually made no decision.



Governor raises important questions about Longevity Bonus proposals

By Gov. Bill Sheffield

RIGHT NOW, there's only one sure thing about the Alaska Longevity Bonus program: The courts have changed the original intent, and we have to change our program.

The debate about what form that program will take is far from over. It may be an annuity program, a "stair-stepping" approach, a program with a special emphasis on helping low and middle-income senior citizens — or any combination of the three. Each approach has its advocate. I'm not choosing sides yet; as long as the final proposal is sound, I'll sign the bill.

THE IMPORTANT THING is to debate the proposals, choose the best one, and get it done this year. We can't keep older Alaskans in limbo any longer. To get the longevity program out of limbo, we've got to get the debates out of the fog.

What's clear is that Alaska has a long tradition of respecting senior citizens. Today, a wide variety of benefits, tax credits, health care and other programs for seniors are backed up by more than \$100 million in state funds. About half of that goes to the Longevity Bonus program.

These benefits date back to the first Territorial Legislature, which set up the first Pioneer Home in 1913. Two years later, the territory decided that older Alaskans who were in need should get \$12.50 a month (about \$145 in current dollars) to help them stay in Alaska. Later, former Gov. Ernest

Gruening called it "the first old-age pension in the United States."

That pension was revived in 1972, with a similar intent. The \$100-per-month bonus (later increased to \$250 monthly) was targeted specifically for a group of older Alaskans who had lived and worked in the state for many years.

LAST YEAR the Alaska Supreme Court struck down that residency requirement. Citing federal court decisions, the justices said "pioneer" status can't be used as a standard for a benefit program. As a result, we now have various plans for replacing the current stop-gap longevity program under debate in the legislature. Each answers the residency question, but other questions remain.

The "stair-stepping" approach, proposed last year by Rep. Al Adams, D-Kotzebue, comes close to meeting the intent of the original Longevity Bonus program. Simply put, the bill limits the number of recipients by setting a cut-off date (to be eligible, you must turn 65 by 1992) and raising the age of eligibility each year (65 in 1992, 66 in 1993, 67 in 1994, and so on). That way, seniors who are now eligible would remain eligible for the rest of their lives; in addition, seniors between the ages of 60 and 65 (who may have been planning on the bonus to supplement retirement income) would also be "protected" for life. As that group of older Alaskans dwindled over the years, the program would

eventually phase itself out.

THE ANNUITY PROGRAM, introduced as a bill with 17 co-sponsors in the Alaska State Senate, combines the "stair-stepping" approach with a retirement insurance program. Like the "stair-stepping" program, the current group of older Alaskans would continue to receive a Longevity Bonus, but the amount would get smaller every year, and eventually disappear. Payments from the annuity fund would take the place of the bonus — but only if you bought into the annuity program. The price is your annual Permanent Fund dividend.

In short, if you're 40 years old now and want a full longevity payment after the age of 65, you must defer your permanent fund dividend each year and put it in your retirement account. If you choose to keep your dividends each year, you'll get no annuity from the state.

It's an intriguing idea. However, some questions remain.

Senior Voice, the newspaper serving the community of older Alaskans, raised a number of those questions in a recent editorial. Among them were these: Will enough younger Alaskans give up their dividends, join the plan and make the annuity financially sound? Will the plan provide any benefit to the poor and near-poor who can't afford to give up their dividends? Will the program offer a secure investment for younger Alaskans? And what will happen to the approximately 800 needy senior citizens who will lose federal benefits because the Alaska program isn't based on need?

Good questions, and we should have the answers before we make a decision.

I HAVE SIMILAR concerns. First of all, there's no guarantee people will contribute their permanent fund dividends to the annuity program. The incentive to join the program is a tax break: If you put your check in now, you won't have to pay federal income tax on it until you retire. However, according to the federal tax code, the annuity would not be a tax-exempt investment without the state's \$79 million "front-loading."

Without the "front-loading," there's no tax break; without the tax break, many people would probably choose to invest their permanent fund dividends differently.

Like the editorial writer at the Senior Voice, I'm concerned that tying the annuity to permanent fund dividends could make it difficult for many Alaskans to invest in the program. Low-income families, working single mothers and rural Alaskans might have a hard time giving up needed cash now for a long-term investment.

Then there's a question the Voice didn't ask:

What about the \$79 million in state money needed to build up the annuity fund over the first three years? If we decide that the annuity program is best, we may be faced with some serious changes in our spending priorities over the next several years. Considering the recent downturn in our revenue forecasts — and the continuing downward pressure on the price of oil — that three-year, \$79 million commitment could reduce our financial flexibility, along with our ability to meet other needs.

ALL THESE QUESTIONS need to be answered before we create a new longevity program. But whatever we choose — an annuity program, a "stair-stepping" proposal, a needs-based program, or any combination of the three — it must be fair, it must be cost-effective, and it must be created this year.

It should also retain the spirit of the laws passed by the territorial legislature in 1915, and the state legislature in 1972. The Longevity Bonus is a way to help keep older Alaskans in the state. That's not welfare; it's an investment in Alaska's future. Because without the wisdom and experience of the past, we wouldn't have much of a future.

Annuity plan sent to finance panel

News
1/30/85

Daily News wire services

JUNEAU — A plan to create a state-backed retirement account for Alaskans moved a step closer to approval Tuesday — with provisions to protect low-income oldtimers and offer benefits to family survivors.

The so-called "annuity plan" was forwarded to the Senate Finance Committee — with two changes. If approved, the plan would replace the Longevity Bonus program that was deemed unconstitutional because it only paid oldtimers who had lived in Alaska for 25 years.

Under the proposal by Sen. Bill Ray, D-Juneau, the current Longevity Bonus program would be gradually phased out and would be replaced by the annuity program. Alaskans would be able

to place their permanent fund dividend checks into the program and collect a \$250 stipend each month once they turn age 65.

The Senate State Affairs Committee amended the annuity bill, Senate Bill 56, so that if an Alaskan chooses to contribute to the program and dies before reaching age 65, his contributions revert to his family instead of staying in the annuity pool.

However, the bill says the state would keep the annuity money if the resident reaches 65 and begins drawing on the account before dying.

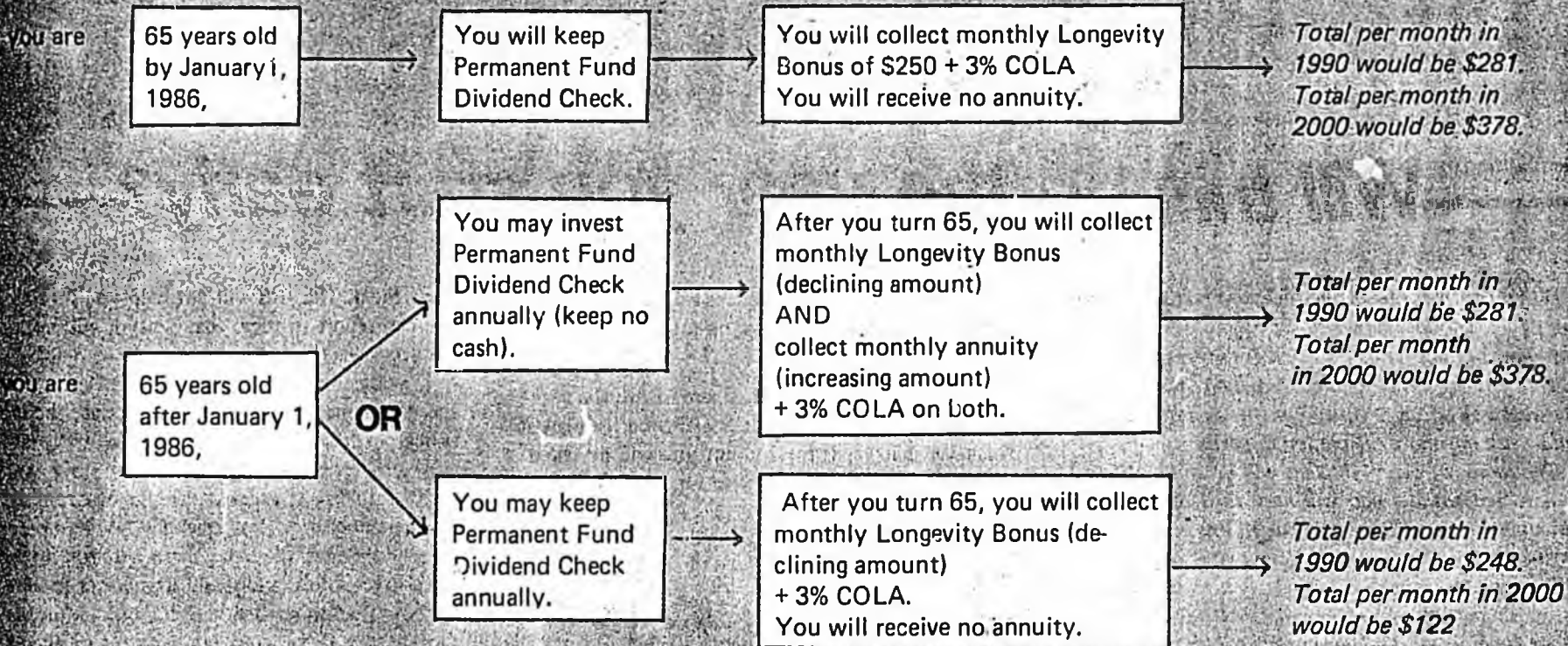
The committee also voted to protect some low-income oldtimers who would continue to receive the \$250-a-month Longevity Bonus but could lose federal benefits because of the additional income.

Senior Visa January 1985

SB56

How annuity would affect you

Senate bill would replace bonus for future seniors



Senior Employment

is available for those 55 and older... you may qualify!

Legislature takes up bonus

Continued from page 1

these individuals would receive monthly payments of \$250 plus an annual 3 percent cost of living increase. Payments would be a mix of an-

ment Fund checks today in return for retirement payments in the future.

Although the Senate is expected to pass the measure quickly, the plan will likely face rougher going in the House.

less bonus and annuity plans are based on need, state officials say they have been told, about 800 seniors on public assistance will be forced over the income limits for cash and/or medical benefits.

Annuity bill needs complete airing

Our minds are far from settled on SB 56.

That's the bill that would set up an annuity, or retirement plan as a replacement for the current Longevity Bonus Program for Alaska's seniors 65 and over.

A lot of work has gone into this bill. The Longevity Bonus Task Force has met monthly since last August. SB 56 is the result of intensive effort by the nine member task force, its staff and a bevy of experts including government officials, private insurance consultants, lawyers and tax analysts.

Most seniors who participated in teleconference hearings on the bill in late January voiced overwhelming support for the bill, saying they much preferred it to needs-based proposals. Nonetheless, these seniors had concerns about the annuity proposal. We share their concerns.

Under the proposal, many here-and-now seniors - all those 65 and over - would be "grandfathered" into the current bonus program and would continue to receive the current \$250 per month for the rest of their lives.

COMMENTS

For these people, the annuity program would have no effect. They would continue to receive \$250 a month; they would continue to receive a yearly Permanent Fund Dividend check.

But what about the seniors of today who are not yet 65? And the seniors of tomorrow?

Will the program offer a secure investment to younger citizens?

Will estate-conscious Alaskans who want to leave their assets to their children choose this plan, in which benefits end with the death of the recipient? Or, will they choose another more flexible plan for investing their available funds?

Will enough younger citizens of any age join the plan - and give up their Permanent Fund Dividend - to make the annuity fiscally sound?

Will the legislature in future years continue to appropriate money to the plan, as it would have to do annually?

Will the plan provide any benefits to the state's poor who cannot afford to "buy in" at the cost of their annual Permanent Fund Dividend?

Will the plan offer any benefits to 800 current bonus recipients who will lose medical and/or cash public assistance if the program continues to be non-needs based?

You don't set up a retirement program for half a million people - potentially the entire state population - without looking at the plan from every conceivable direction.

In addition to the hard work of the special task force committee, the legislature must be urged to study the plan long and hard.

Hopefully legislators - in both houses - will give not only the annuity proposal, but also these concerns, the full airing they deserve.

LETTERS

Waste led Voice to 'tin cup'?

Dear editor,

I must say I'm quite disappointed with January's issue report. "An urgent appeal to Senior Voice readers," and/or "who pays for Senior Voice?"

For the past two years that I have handled our subscription (my late husband subscribed for the previous two years) I have purchased three subscriptions (two extra) in 1983 and two subscriptions (one extra) last year so I'm certainly among the "Anchorage 99503's paid!"

I do volunteer work at the (Anchorage) Senior Center and I've observed a number of left-over monthly copies on occasion. This is wasteful and uncalled for and could be one of the reasons you again have the "tin cup in hand." I certainly can understand why you must cut back, why haven't you done it before this? Did it take the \$18,000 loss in state and city funding for you to come to this conclusion? It's not hard to figure out why we "pays" couldn't possibly make up for the 1,500 people who receive it "free" or "2,100 to 2,900." This doesn't seem fair to people like me, or to the other paying subscribers, especially when a lot more of these freeloaders could have paid, I imagine.

Needless to say, I only wish to renew my single subscription this year with no extra contribution for the "24 or fewer pages per issue" in 1985.

I've decided to add this postscript as a suggestion: If you asked the recipients of gift subscriptions to write a thank-you note to the contributor it would help to convince people like me that my gift copies actually went to someone and were not among the wasted copies I saw at the Senior Center. I know I wouldn't mind sending a card or note if I had been on the receiving end

to show my appreciation.

The cost of a card doesn't amount to \$10 a year! I'm a widow on a fixed income and I gave gladly but I do expect some proof that my money went for what it was intended.

Nancy O. Austin
Anchorage

We agree that there is no excuse for wasting copies of Senior Voice. We appreciate your past and continuing support for Senior Voice and truly regret that

when we have extra copies to give. Usually, these deliveries are made in response to calls from center employees asking for more papers.

At other sites in Anchorage, and at other senior centers around the state, our deliveries are based on past usage. In Anchorage, if our delivery man delivered 20 copies to a site in September, then noticed 15 remained when he delivered the October issue, he would leave fewer October copies. Similarly,

'Needless to say I only want to renew my single subscription. . . with no extra contribution . . .'

those extra copies at the Anchorage Senior Center have made you feel Senior Voice is a sloppily-run ship.

Having said as much, let me try to explain some possible reasons for those extra copies, which turned out to be leftover, unwanted and wasted.

First of all, no newspaper worth its typesetter prints exactly as many copies as it will send out to subscribers or place on news stands. When we order a press run of 7,500, there's no practical way to go back and get more. In the past five years, we have run out of papers at least five times because we have underestimated the demand. (We are currently "hoarding" our three remaining copies of last January's issue.)

We almost always print 200 extra papers to prevent running out of Senior Voice when a particular story or report proves popular. Often, these are not "extra" at all and come very close to just meeting the demand.

The situation at the Anchorage Senior Center, we hope to

we have in the past responded to project directors' requests that we send fewer (or more) papers to meet the demand.

With our current funding situation so tight, we are cutting our "extra" copies to 100, which likely will barely cover the demand in the Senior Voice office during the month between issues.

We can appreciate your skepticism regarding gift subscriptions. Your suggestion that those who "receive" acknowledge their thanks to those who "give" has merit.

However, one of the basic tenets of the Older Americans Act (and the Older Alaskans Commission which partially funds Senior Voice) is that the confidentiality - and consequently the dignity - of those seniors we serve be safeguarded. We currently have on file the names of more than 80 seniors who have told us they cannot afford to pay, and we suspect that at least double this amount are actually on our mailing list but have not told us so. We cannot reveal their names in the public domain.

Have
you

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