

SB

56-H

(11)

HOUSE COMMITTEE REPORT

Date referred: 3/9/88

FURTHER REFERRALS:

(Fin added 3/9)

DATE: 3-28-88

The Finance Committee has considered HCS CSSB 56(SA)

"An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided for in secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

RECOMMENDS:

- replace with HCS CSSB 56 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact (4) same as previous fiscal note published 3-9-88
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Pourchat [Signature]

Gall [Signature]

Brown [Signature]

Boyer [Signature]

Rieger [Signature]

Larson [Signature] a step in the right direction

Frank [Signature]

SWICK [Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature] Vice-Chair
Chairman's signature

FISCAL NOTE

REQUEST

Revision Date: _____
Title: Relating to annuity program and amendments to longevity and PFD program
Sponsor: Kerttula, Halford, Fischer
Requestor: House State Affairs

Agency Affected: Department of Revenue
BRU: Permanent Fund Dividend Division
Components: Permanent Fund Dividend Division

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	13.6	132.4	93.7	93.7	93.7	93.7
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	15.0	47.4	24.8	24.8	24.8	24.8
SUPPLIES	-	1.5	1.5	1.5	1.5	1.5
EQUIPMENT	-	5.0	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	28.6	186.3	120.0	120.0	120.0	120.0
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND *	28.6	186.3	120.0	120.0	120.0	120.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	28.6	186.3	120.0	120.0	120.0	120.0

POSITIONS:

FULL-TIME	-	1	-	-	-	-
PART-TIME	4	7	7	7	7	7
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached.

Prepared By: Ervin Jones Phone: 465-2323
Division: Permanent Fund Dividend Division Date: March 11, 1988

Approved by Commissioner: Hugh Malone Date: 3/14/88
Agency: Revenue

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

Department of Revenue
Permanent Fund Dividend Division
Fiscal Note Analysis
HCSCSSB 56
As of March 11, 1988

Assumptions:

1. This bill will be effective for the 1989 dividend.
2. The Department of Revenue will treat the mechanics of the program as a "check-off" with four options; 25%, 50%, 75%, or 100% contribution to the annuity account.
3. The Department of Revenue will respond to the public's general questions regarding the completion of the Permanent Fund Dividend applications, but will refer complicated questions regarding the annuity options to the Division of Retirement and Benefits. Revenue employees will not give advice as to whether or not an individual should or should not participate, nor try to explain how the annuity program works for them.
4. The Department of Revenue will initiate statewide advertising to advise the public that the change in law DOES NOT apply to the 1988 Permanent Fund Dividend program. This is important, as the public will be in the process of applying for the 1988 Permanent Fund Dividend at the time the bill becomes law and the initial press coverage occurs. We will coordinate the advertising all public contact with the Department of Administration.
5. The development of the insert to the Permanent Fund Dividend application booklet will be handled by the Department of Administration and covered in their fiscal note.
6. The Department of Revenue will modify the Permanent Fund Dividend system to process the proposed options and to pass information to the Department of Administration. The garnishment sub-system will need to be rewritten to accommodate the changes.
7. Until the earnings of the annuity account are such as to be able to pay the administrative costs, the costs will be funded by the general fund.

Program Summary:

Upon enactment, the Permanent Fund Dividend Division expects to be deluged with public contact regarding the effect of the new law on the current year (1988) program. The division will (upon approval of funding) mount a statewide publicity campaign to advise the public that:

- 1) There is no effect in 1988;
- 2) Please don't contact Department of Revenue about the annuity program;
and
- 3) The Department of Administration will be contacting each household at a later date with complete information on the new program.

Fiscal Note Analysis
HCSCSSB 56
 As of March 11, 1988

During the interim, the Permanent Fund Dividend Division will modify our computer system to accommodate the new options, and to provide for the transfer of funds and applicant information to the Department of Administration. The garnishment sub-system will be re-written and expanded to accommodate the complexities of now multiple choices for check-offs, assignments and attachments. The accounting system will also be modified. The division will modify the 1989 Permanent Fund Dividend application and booklets to allow the applicants to select the annuity option. All related forms will be modified.

During the 1989 and subsequent filing periods, the division will provide additional staff in the field offices to answer the public's questions regarding the completion of the application. The additional data will be keyed into the computer. In the fall, the necessary data (e.g. name, address, birthdate, option selected) will be transferred to the Department of Administration on a regular basis as the dividends are paid.

The Division will not attempt to explain the impact of the options nor will we attempt to advise individuals as to their choice. Those types of questions will be referred to the Department of Administration.

The Division will coordinate our efforts with the Pioneer Benefits and Retirement and Benefits Divisions of the Department of Administration, which will be administering the actual annuity program.

The estimated costs of implementation of this bill are as follows:

	FY 88	FY 89	FY 90
1. <u>Positions</u>			
<u>Data Processing</u>			
1 Analyst/Programmer IV, R19 @ \$4,302.28/mo. including salary and benefits for 12 months (FY 89 only)		\$51.6	
1 Analyst/Programmer IV, R19 @ 4,302.28/mo. including salary and benefits for 3 months (FY 89 only)		\$12.9	
1 Analyst/Programmer IV, R19 @ 4,302.28/mo. including salary and benefits in FY 90 and thereafter			\$25.8

Fiscal Note Analysis
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Data Entry

2 Data Processing Clerk I's, R8, @ 2261.74/mo. including salary and benefits for 3 months	\$13.6	\$13.6
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Dividend Information Centers

Anchorage

2 Document Processor II's, R8, @ 2261.74/mo. including salary and benefits for 6 months (1 1/2 months in FY 88)	\$6.8	\$27.1	\$27.1
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Juneau

1 Document Processor II, R8, @ 2261.74/mo. including salary and benefits for 6 months (1 1/2 months in FY 88)	\$3.4	\$13.6	\$13.6
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Fairbanks

1 Document Processor II, R8, @ 2261.74/mo. including salary and benefits for 6 months (1 1/2 months in FY 88)	\$3.4	\$13.6	\$13.6
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Total Personal Services	<u>\$13.6</u>	<u>\$132.4</u>	<u>\$93.7</u>
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2. Travel: None.

3. Contractual:

a) <u>Department of Administration Chargeback</u> (estimated); additional disc space and computer time.	\$45.2	\$22.6
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b) <u>Advertising</u> : Statewide campaign to inform public that annuity option does NOT apply to 1988 Permanent Fund Dividend program.	\$15.0	
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c) <u>Maintenance</u> : for 2 Wang 4250 terminals with emulator boards for Anchorage and Fairbanks (one each location), Wang maintenance @ \$90.00/mo.)	<u>\$2.2</u>	<u>\$2.2</u>
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Total Contractual	<u>\$15.0</u>	<u>\$47.4</u>	<u>\$24.8</u>
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Fiscal Note Analysis
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As of March 11, 1988

4. <u>Supplies:</u>	<u>-0-</u>	<u>\$1.5</u>	<u>\$1.5</u>
5. <u>Equipment</u>			
Purchase 2 Wang 4250 terminals with emulator boards for Anchorage and Fairbanks (one each location).	<u>-0-</u>	<u>\$5.0</u>	<u>-0-</u>
Total Operating Cost:	<u>\$28.6</u>	<u>\$186.3</u>	<u>\$120.0</u>

Suggested Amendments: None.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An act amending and making BRU: Longevity Bonus
 effective an annuity program
 Sponsor: Kerttula, Halford, et al. Components: Administration
 Requestor: House State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	15.0	0	0	0	0
CONTRACTUAL	0	10.0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	25.0	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	25.0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	25.0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attachment

Prepared By: Nadine Winters, Administrator *NW* Phone: 465-4400
 Division: Pioneers' Benefits Date: 2-23-88

Approved by Commissioner: John M. Andrews *JMA* Date: 2/9/88
 Agency: Department of Administration

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

CONTINUATION of FISCAL NOTE ANALYSIS
For Bill/Resolution No. HCS CSSB 56 (SA)

SUBJECT OF PROPOSED BILL:

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

SUMMARY/EXPLANATION OF INTENT:

Two payment systems will be run in the division. The first payment would pay a monthly amount of \$250.00 for those eligibles age 65 prior to January 1, 1989. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1989. The assumption is made that the Division of Retirement and Benefits will issue the annuity checks and the Division of Pioneers' Benefits will issue checks for the declining amount of the Longevity Bonus.

ESTIMATED FISCAL IMPACT:

Contractual Services	\$10,000
Computer System Modification by Contractor	
Travel	
Public Hearings/Meetings	\$15,000
Two employees to Anchorage, Fairbanks, Nome Kotzebue, Bethel, Barrow, Kodiak and Ketchikan	

Given the complexity of the annuity program, an extensive educational program will be undertaken by the Division of Pioneers' Benefits, Division of Retirement and Benefits, and the Permanent Fund Dividend Division. This educational program will include distribution of printed material which will be published by Permanent Fund Dividend Division, radio and TV ads which will be produced by the Division of Retirement and Benefits, and public meetings/technical assistance to be conducted by the Division of Pioneers' Benefits. All aspects of the program will be coordinated with all three divisions, even though funding is spread across three fiscal notes.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act amending and making
effective an annuity program BRU: Longevity Bonus
 Sponsor: Kerttula, Halford, et al. Components: Grants
 Requestor: House State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	(284.4)	(822.4)	(1,641.9)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	(284.4)	(822.4)	(1,641.9)
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	(284.4)	(822.4)	(1,641.9)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	(284.4)	(822.4)	(1,641.9)

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attachment.

RECEIVED
MAR 11 1988

Prepared By: Jim Fox, Deputy Commissioner
 Division: Department of Administration
 Approved by Commissioner: John M. Andrews
 Agency: Department of Administration

Phone: 465-2200
 Date: 03/09/88
 Date: 3/9/88

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

FY	AVG. # NEW ELIG.	AMT. OF ALB PMT.	AVG. PMT. TO NEW ELG. (65 AFTER 1/2/89)	REMAINING REC. FROM CURRENT PROGRAM	PMT. FOR ORIG. RECIP.	GF PAYMENT FOR BONUS	COST W/O PASSAGE	COST SAV. W/ PASSAGE
1989	920	\$250.00	\$689,742	17,812	\$52,281,232	\$52,970,974	\$52,970,974	(\$0)
1990	968	\$250.00	\$4,284,677	17,042	\$49,950,387	\$54,235,064	\$54,235,064	(\$0)
1991	1020	\$240.32	\$7,059,492	16,258	\$47,576,595	\$54,636,087	\$54,920,441	\$284,354
1992	1074	\$230.54	\$9,742,759	15,460	\$45,165,605	\$54,908,354	\$55,730,755	\$822,391
1993	1131	\$220.59	\$12,315,261	14,651	\$42,725,826	\$55,041,087	\$56,683,010	\$1,641,923
1994	1191	\$209.64	\$14,699,114	13,833	\$40,266,098	\$54,965,212	\$57,795,093	\$2,829,881
1995	1254	\$197.65	\$16,631,963	13,011	\$37,795,303	\$54,627,266	\$59,085,416	\$4,458,150
1996	1320	\$184.51	\$18,635,930	12,186	\$35,322,543	\$53,958,473	\$60,573,112	\$6,614,639
1997	1390	\$170.11	\$20,019,178	11,362	\$32,857,477	\$52,876,655	\$62,278,408	\$9,401,752
1998	1464	\$154.31	\$20,870,317	10,543	\$30,410,441	\$51,280,757	\$64,222,761	\$12,942,004
1999	1541	\$136.95	\$21,055,489	9,731	\$27,992,534	\$49,048,024	\$66,428,988	\$17,380,964
2000	1623	\$117.90	\$20,422,952	8,931	\$25,615,682	\$46,038,634	\$68,921,348	\$22,882,714
2001	1709	\$96.95	\$18,782,297	8,146	\$23,292,434	\$42,074,731	\$71,725,382	\$29,650,650
2002	1800	\$73.89	\$15,910,578	7,382	\$21,035,687	\$36,946,266	\$74,867,662	\$37,921,396
2003	1895	\$48.51	\$11,548,708	6,642	\$18,858,380	\$30,407,087	\$76,375,529	\$47,968,442
2004	1995	\$20.58	\$5,392,260	5,930	\$16,772,879	\$22,165,138	\$82,276,518	\$60,111,360
2005	2101	\$0.00	\$0	5,252	\$14,790,500	\$14,790,500	\$86,597,913	\$71,807,413
2006	2213	\$0.00	\$0	4,609	\$12,921,645	\$12,921,645	\$91,366,931	\$78,445,286
2007	2330	\$0.00	\$0	4,006	\$11,175,803	\$11,175,803	\$96,610,770	\$85,434,967
2008	2453	\$0.00	\$0	3,445	\$9,561,014	\$9,561,014	\$102,356,115	\$92,795,101
2009	2583	\$0.00	\$0	2,929	\$8,083,215	\$8,083,215	\$108,628,537	\$100,545,322
2010	2720	\$0.00	\$0	2,460	\$6,745,905	\$6,745,905	\$115,452,210	\$108,706,305

BASE NUMBER ELIGIBLE AT BEGINNING OF FY89 ANTICIPATED ANNUAL GROWTH RATE
17352 5.30%

BASE YEAR ORIGINAL AMOUNT OF LONGEVITY PMT.
1989 \$250.00

Payments shown are based on bonus payments to estimated average number of new recipients in a given year added to the number of prior year recipients. Since a growth factor is assumed for the group as a whole, no mortality rate was factored in.

The estimate of number of recipients is based on a straight line projected growth rate from Department of Labor for the affected age group.

The bonus payment is the maximum specified in the draft for new recipients. This figure was used since the cost of administration for the annuity program will be very high (in proportion to the initial number of participants and income) for the first years making it highly unlikely that the annuity income for a recipient would result in less cost to the Longevity Program than that permitted by the maximum specified in the bill.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An act amending and making BRU: Retirement and Benefits
effective an annuity program
 Sponsor: Kerttula Components: State Annuity System Management
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	314.5	314.5	314.5	314.5	314.5
TRAVEL	0	50.0	10.0	10.0	10.0	10.0
CONTRACTUAL	0	1,475.8	328.8	328.8	328.8	328.8
SUPPLIES	0	92.5	90.5	90.5	90.5	90.5
EQUIPMENT	0	110.4	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	2,043.2	743.8	743.8	743.8	743.8

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

GENERAL FUND	0	2,043.2	(43.2)	(222.0)	(222.0)	(222.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	787.0	965.8	965.8	965.8
TOTAL	0	2,043.2	743.8	743.8	743.8	743.8


POSITIONS:

FULL-TIME	0	8	8	8	8	8
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared By: Robert F. Stalnaker, Acting Director  Phone: 465-4470
 Division: Retirement and Benefits Date: 3-3-88

Approved by Commissioner: John M. Andrews  Date: 3/9/88
 Agency: Department of Administration

Distribution (by preparer):

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

HCS CSSB 56 (SA)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 2, 1988

IV Analysis: This Fiscal Note addresses costs to the Division of Retirement and Benefits for administration of the provisions of the Annuity Program as stated in HCS CSSB 56 (SA). This Fiscal Note differs from previous Notes due to the increase in staffing requirement because of the addition of Section 2 which will allow participants to make cash contributions. The cost of the program is anticipated to be borne entirely by the participants. We anticipate an up front General Fund appropriation for the first year but that will be paid back over 10 years from administrative fees charged to participants. We estimate that eight full-time positions will be needed to administer this program on a continuing basis. These positions are:

- 1 Retirement & Benefits Specialist III
- 1 Retirement & Benefits Specialist I/II
- 1 Retirement & Benefits Technician I/II
- 1 Accountant II
- 1 Accounting Technician I
- 2 Accounting Clerk III
- 1 Analyst/Programmer IV

Even though the estimated \$1,000.0 is for the design of a highly automated computer system, thereby eliminating the need for a large staff, the current version of SB 56 requires extensive manual effort to interface with the system. These positions will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

We anticipate the need for extensive travel in FY 89 to explain the program and answer questions at several locations throughout the state. In following years, we envision a few trips by the director's office to the field office.

We estimate large annual contractual needs for the operation of the Annuity Program as well as 1,000.0 in FY 89 to contract for the building of the new system. These ongoing contractual needs include: actuarial consulting services; annual notifications, FY 89 media blitz; data processing resources; telephone system, WATS line and long distance charges; and audits. We estimate that the Annuity Program will be fully

HCS CSSB 56 (SA)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 2, 1988

automated to reduce the need for a larger staff. We estimate that a one-time system analysis, development, and construction cost would be \$1,000.0. As noted previously, the system would be maintained by one Analyst/Programmer IV.

We will have on-going office supply needs for our new positions, microfilming supplies, computer paper stock, annual Statement of Accounts and 1099's. We will also have an FY 89 equipment need for office equipment for our 8 employees, additional floor space and the purchase of a microfilmer and reader for file maintenance.

We have requested FY 89 funding to be from General Fund appropriations. Even though we anticipate program receipts beginning in FY 89, we recommend that they be placed in a separate administrative fund to help cover future operational costs. We would establish an administrative fee structure to fund the on-going costs of operation and refund the FY 89 costs to the General Fund over a 10-year period.

A zero inflation rate is assumed for this fiscal note.

Position Title Retirement and Benefits Specialist III		No. of Positions 1	Range/Step 18A	Barg. Unit S
Time Status FT	Staff Months 12.0	Location Juneau (AWA)	Election District 4	
		Justification		
Type of Expenditure		Amount		
1		2		3
Salary		37,680		
Benefits		13,192		
Premium Pay				
Other				
Total Personal Services				50,872
Travel				25,000
Contractual				2,000
Commodities				500
Equipment				9,900
Other				
Total Cost				88,272
Funding Source for Total Cost				
Federal Receipts 1002				
G. F. Match 1003				
General Fund 1004				88,272
GF Program Receipts 1005				
Other				
		Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.		
		The Retirement and Benefits Specialist III position would be responsible for the day-to-day administration of the program. Specific duties would include supervising the individuals who are counselling participants and maintaining the accounts, drafting regulations, answering inquiries regarding the options available and consequences of selecting or not selecting the annuity program; assisting with the design of an automated data processing system; writing standard operating procedures for implementation of the program; and writing informational material such as: advertising notices informing individuals of the new program and mass mail-out to all Alaskan households.		

6/6B1/0301-88/3-4

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Retirement and Benefits Specialist I/II		No. of Positions 1	Range/Step 16A	Barg. Unit GGU																																																									
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4																																																									
<table border="1"> <thead> <tr> <th>Type of Expenditure</th> <th></th> <th>Amount</th> </tr> <tr> <th>I</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>32,424</td> <td></td> </tr> <tr> <td>Benefits</td> <td>11,722</td> <td></td> </tr> <tr> <td>Premium Pay</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td>Total Personal Services</td> <td></td> <td>44,146</td> </tr> <tr> <td colspan="3">Travel</td> </tr> <tr> <td>Contractual</td> <td></td> <td>2,000</td> </tr> <tr> <td>Commodities</td> <td></td> <td>500</td> </tr> <tr> <td>Equipment</td> <td></td> <td>7,900</td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td>Total Cost</td> <td></td> <td>54,546</td> </tr> <tr> <td colspan="3">Funding Source for Total Cost</td> </tr> <tr> <td>Federal Receipts 1002</td> <td></td> <td></td> </tr> <tr> <td>G. F. Match 1003</td> <td></td> <td></td> </tr> <tr> <td>General Fund 1004</td> <td></td> <td>54,546</td> </tr> <tr> <td>GF Program Receipts 1005</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> </tbody> </table>		Type of Expenditure		Amount	I	2	3	Salary	32,424		Benefits	11,722		Premium Pay			Other			Total Personal Services		44,146	Travel			Contractual		2,000	Commodities		500	Equipment		7,900	Other			Total Cost		54,546	Funding Source for Total Cost			Federal Receipts 1002			G. F. Match 1003			General Fund 1004		54,546	GF Program Receipts 1005			Other			Justification Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program. The Retirement and Benefits Specialist I/II position would have primary responsibility for counselling participants. Specific duties would include counselling individuals regarding the options available and consequences of selection or not selecting the annuity program; recommend changes in regulations based upon the needs of the program and participants; notifying participants of the balance in their annuity; assisting participants with an emergency hardship withdrawal.		
Type of Expenditure		Amount																																																											
I	2	3																																																											
Salary	32,424																																																												
Benefits	11,722																																																												
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6/6B1/0301-88/5-6

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Retirement and Benefits Technician I/II		No. of Positions 1	Range/Step 12B	Barg. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
		Justification		
Type of Expenditure		Amount		
1	2	3		
Salary	24,864			
Benefits	9,855			
Premium Pay				
Other				
Total Personal Services		34,719		
Travel		25,000		
Contractual		2,000		
Commodities		500		
Equipment		5,800		
Other				
Total Cost		68,019		
Funding Source for Total Cost				
Federal Receipts 1002				
G. F. Match 1003				
General Fund 1004		68,019		
GF Program Receipts 1005				
Other				

Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.

The Retirement and Benefits Technician would be responsible for the day-to-day counselling of participants. Specific duties would include responding to telephone calls or written correspondence, notifying individuals of an assessment against their Alaska Permanent Fund Dividend and their options for making a cash contribution to the annuity program.

6/6B1/0301-88/7-8

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

FY 89

Page 1 of 1
 Revised Date

Position Title Accountant II		No. of Positions 1	Range/Step 16A	Barg. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	32,424			
Benefits	11,722			
Premium Pay				
Other				
Total Personal Services		44,146		
Travel				
Contractual		2,000		
Commodities		500		
Equipment		7,900		
Other				
Total Cost		54,546		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	54,546		
GF Program Receipts	1005			
Other				

Justification

Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.

The Accountant II will be responsible for establishing, implementing and maintaining the accounting functions of this program. Specific duties will include reconciling the transfers from the Alaska Permanent Fund Dividend program, cash deposits from individuals and interest posted with the balances maintained on the annuity program file, determining the amount of the maximum offset for the year, transferring funds from the Alaska Permanent Fund to the division in order to set up the annuity, reconciling the annuities paid out each month.

6/6B1/0301-88/9-10

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Accounting Technician I			No. of Positions 1	Range/Step 12A	Barg. Unit GGU
Time Status FT	Staff Months 12.0		Location Juneau (AIA)		Election District 4
Type of Expenditure			Amount		
1		2	3		
Salary		24,864			
Benefits		9,855			
Premium Pay					
Other					
Total Personal Services			34,719		
Travel					
Contractual			2,000		
Commodities			500		
Equipment			5,800		
Other					
Total Cost			43,019		
Funding Source for Total Cost					
Federal Receipts 1002					
G. F. Match 1003					
General Fund 1004			43,019		
GF Program Receipts 1005					
Other					
Justification					
<p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Accounting Technician I would be responsible for accepting transfers from the Alaska Permanent Fund Dividend program, balancing direct transfers, cash deposits and interest posted with the balances maintained on the annuity program file, recommending changes to accounting procedures and reports.</p>					

6/6B1/0301-88/11-12

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Analyst/Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	40.032			
Benefits	13.601			
Premium Pay				
Other				
Total Personal Services		53.633		
Travel				
Contractual		4,000		
Commodities		500		
Equipment		10,500		
Other				
Total Cost		68,633		
Funding Source for Total Cost				
Federal Receipts 1002				
G. E. Match 1003				
General Fund 1004		68.633		
GF Program Receipts 1005				
Other				

Justification

Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.

The Analyst/Programmer IV will be responsible for designing, writing and maintaining the automated data processing program. Specific duties will include writing a data processing program to track participant account balances and personal data, producing reports that will allow the accounting staff to reconcile transfers in and out of the program and producing automated federal withholding reports.

6/6B1/0301-88/15-16

**Request For
New Position**

Agency Administration _____
 DRU Retirement and Benefits _____
 Component Retirement and Benefits _____

Page 1 of 1
 Revised Date _____

FY 89

Position Title Accounting Clerk III		No. of Positions 2	Range/Step 10B	Barg. Unit GGU																																				
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4																																				
<table border="1"> <thead> <tr> <th>Type of Expenditure</th> <th colspan="2">Amount</th> </tr> <tr> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>45,432</td> <td rowspan="5"></td> </tr> <tr> <td>Benefits</td> <td>18,648</td> </tr> <tr> <td>Premium Pay</td> <td></td> </tr> <tr> <td>Other</td> <td></td> </tr> <tr> <td>Total Personal Services</td> <td></td> <td>64,080</td> </tr> <tr> <td>Travel</td> <td></td> <td></td> </tr> <tr> <td>Contractual</td> <td></td> <td>4,000</td> </tr> <tr> <td>Commodities</td> <td></td> <td>1,000</td> </tr> <tr> <td>Equipment</td> <td></td> <td>11,000</td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td>Total Cost</td> <td></td> <td>80,080</td> </tr> </tbody> </table>		Type of Expenditure	Amount		1	2	3	Salary	45,432		Benefits	18,648	Premium Pay		Other		Total Personal Services		64,080	Travel			Contractual		4,000	Commodities		1,000	Equipment		11,000	Other			Total Cost		80,080	Justification <p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Accounting Clerk III positions will have the primary responsibility for depositing the cash contributions. Specific duties will require knowledge of AKSAS, reconciliation of deposits, verifying that cash contributions do not exceed maximum allowable.</p>		
Type of Expenditure	Amount																																							
1	2	3																																						
Salary	45,432																																							
Benefits	18,648																																							
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6/6B1/0301-88/13-14

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

FY 89

Page 1 of 1
 Revised Date

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HCS CSSB No. 56 (FIN)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: ~~An act relating to the Alaska~~
~~Longevity Bonus Program~~
Sponsor: _____
Requestor: _____

Agency Affected: Health & Social Services
BRU: Assistance Payments BRU
Components: AAA ALB Hold Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)

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

GENERAL FUND	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	0	0	0	-0-	-0-	-0-
TOTAL	0	0	0	(58.6)	(124.9)	(211.6)

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

HCS CSSB No. 56 (2d SA) continues the hold harmless program, but no hold harmless provision for the annuity payments. As ALB payments decrease then the amount of ALB hold harmless for SSI replacement also decreases. The drop in ALBH for SSI replacement is a net savings to the State.

Prepared by: John R. Taber, Director Phone: 465-3347
Division: Division of Public Assistance Date: 3-8-88

Approved by Commissioner: Maria M. Mearns Date: 3-9-88
Agency: Department of Health & Social Services

Distribution (by preparer):

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

MAR 22 1988

Division of Public Assistance
 Assistance Payments BRU

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

1. The Governor's FY89 budget presumes continuation of the current Longevity Bonus program and the need for a Hold Harmless program. CSSB No. 56 continues the Hold Harmless program, but no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1991, but that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the Annuity and Bonus payments will be as follows:

	<u>Bonus</u>	<u>Annuity</u>
FY88	\$250	0
FY89	\$250	0
FY90	\$250	0
FY91	\$240.32	\$ 9.68
FY92	\$230.54	\$19.16
FY93	\$220.59	\$29.41

4. Costs assume average age of new applicants for Old Age Assistance will be 65.

HCS CSSB No. 56 (2d SA) provides for a redesign of the ALB to include an annuity and assumes continuation of a full hold harmless for the Bonus. The impact of this proposed change is two-fold: as the ALB payments decrease then the amount of ALB Hold Harmless for SSI replacement also decreases. The drop in ALBHH for SSI replacement is a net savings to the State. As the Bonus payment decreases the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to OAA. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
Estimated number of Aged recipients receiving ALB Hold Harmless that replaces SSI income in amount \$220-250	368	428	488	548	608
Reduction in monthly Bonus	0	0	(\$10)	(\$19)	(\$29)
Average monthly State savings for SSI replacement (clients x Bonus reduction)	0	0	(4,880)	(10,412)	(17,632)
Fiscal year ALB Hold Harmless savings (Monthly x 12 months)	0	0	(58,560)	(124,944)	(211,584)

Original sponsors: Kerttula, Halford,
Fischer and Uehling

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending and making effective an annuity
7 program and amendments to the longevity bonus program
8 and the permanent fund dividend program provided for
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for
10 an effective date."

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

12 * Section 1. AS 43.23.110(a) is amended to read:

13 (a) The annuity investment fund is established as a separate
14 fund in the state treasury. The annuity investment fund consists of
15 money transferred from the dividend fund, cash contributions under
16 AS 43.23.125, and income earned by the annuity investment fund.
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
18 dividends taken as annuity credits under this chapter shall be annual-
19 ly transferred from the dividend fund to the annuity investment fund.

20 * Sec. 2. AS 43.23.110(b) is amended to read:

21 (b) Money in the annuity investment fund shall be invested by
22 the commissioner of revenue in investments authorized under AS 39.35.-
23 110. The commissioner of administration shall credit the net income
24 of the annuity investment fund to the individual annuity accounts and
25 the annuity reserve account.

26 * Sec. 3. AS 43.23 is amended by adding a new section to read:

27 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
28 ble to receive the permanent fund dividend as an annuity credit under
29 AS 43.23.005(d) but does not elect to do so or who elects to receive

1 only a portion of the permanent fund dividend as an annuity credit may
2 make a cash contribution to that individual's annuity account. The
3 cash contribution for a dividend year must be received by the Depart-
4 ment of Administration before September 30 of the year following that
5 dividend year. The total amount of the annuity credit and the cash
6 contributions to an annuity account for a year may not exceed the
7 amount of the permanent fund dividend for that year.

8 * Sec. 4. AS 43.23.130(a) is amended to read:

9 (a) An individual with one or more annuity credits or cash
10 contributions under AS 43.23.125 may receive an annuity upon reaching
11 the age of 65.

12 * Sec. 5. AS 43.23.130(b) is amended to read:

13 (b) An annuity under this section is a monthly payment based
14 upon the principal and accrued interest in the person's annuity ac-
15 count. Upon appointment to receive an annuity, the account balance
16 shall be transferred to the annuity reserve account. The [AN] annuity
17 shall be paid from the annuity reserve account as a straight life
18 annuity or other payment plan authorized by the commissioner of admin-
19 istration [THE DEPARTMENT OF ADMINISTRATION]. The size of the annuity
20 may not vary on account of the individual's sex.

21 * Sec. 6. AS 43.23.130(e) is repealed and reenacted to read:

22 (e) If a person elects to credit a permanent fund dividend or
23 make a cash contribution to an annuity account and dies before age 65,
24 a lump sum payment shall be made to that person's designated benefi-
25 ciary or beneficiaries. The lump sum payment includes all dividends
26 or cash contributions credited to the person's annuity account and
27 interest earned on the account. A person may change or revoke a
28 designation without notice to the beneficiary or beneficiaries at any
29 time. If a person designates more than one beneficiary, each shares

1 equally unless the person specifies a different allocation or prefer-
2 ence. The designation, change, or revocation of beneficiary shall be
3 made on a form provided by the commissioner of administration and is
4 not effective until it is filed with the commissioner. If there is no
5 beneficiary designated or surviving, the lump sum payment shall be
6 paid to the

7 (1) surviving spouse;

8 (2) if there is no surviving spouse, in equal parts to the
9 surviving children including adopted children;

10 (3) if there is no surviving spouse or child, in equal
11 parts to the surviving parents; or

12 (4) if there is no surviving spouse, child, or parent, to
13 the annuity fund.

14 * Sec. 7. AS 43.23 is amended by adding a new section to read:

15 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
16 withdrawal from that individual's annuity account before reaching the
17 age of 65 if the individual establishes to the satisfaction of the
18 commissioner of administration that the withdrawal is necessary to
19 meet an unforeseeable emergency. The amount withdrawn may not exceed
20 the total amount in the individual's annuity account or the amount
21 actually necessary to meet the emergency, whichever is less. The
22 commissioner shall define the term "unforeseeable emergency" by regu-
23 lation. An individual may only make one withdrawal under this section
24 and may pay it back with interest under terms established by the
25 commissioner. An individual who has made a withdrawal under this
26 section may not elect to credit a dividend or make a cash contribution
27 to an annuity account for two years after the withdrawal.

28 * Sec. 8. AS 47.45.015(a) is amended to read:

29 (a) Except as provided in (b) and (c) of this section, the

1 monthly longevity bonus is equal to \$250, minus the maximum possible
2 straight life annuity [FOR A PERSON 65 YEARS OF AGE] under the annuity
3 program (AS 43.23.110 - 43.23.130), as determined by the commissioner
4 of administration. The maximum possible straight life annuity equals
5 the amount a person would receive if that person became 65 on Janu-
6 ary 2, 1989, and contributed 100 percent of all permanent fund divi-
7 dends or the cash equivalency to the annuity program for every year
8 after December 31, 1988. However, for purposes of this section the
9 maximum possible straight life annuity may not exceed the amount that
10 a person turning 65 in the current year would receive if that person
11 had contributed 100 percent of all permanent fund dividends or the
12 cash equivalency to the annuity program for every year after Decem-
13 ber 31, 1988.

14 * Sec. 9. AS 47.45.015 is amended by adding a new subsection to read:

15 (c) Notwithstanding (a) of this section, the monthly longevity
16 bonus in a fiscal year for a person who is 65 years of age after
17 January 1, 1989, may not exceed

- 18 (1) \$240.32 in fiscal year 1991;
- 19 (2) \$230.54 in fiscal year 1992;
- 20 (3) \$220.59 in fiscal year 1993;
- 21 (4) \$209.64 in fiscal year 1994;
- 22 (5) \$197.65 in fiscal year 1995;
- 23 (6) \$184.51 in fiscal year 1996;
- 24 (7) \$170.11 in fiscal year 1997;
- 25 (8) \$154.31 in fiscal year 1998;
- 26 (9) \$136.95 in fiscal year 1999;
- 27 (10) \$117.90 in fiscal year 2000;
- 28 (11) \$96.95 in fiscal year 2001;
- 29 (12) \$73.89 in fiscal year 2002;

- 1 (13) \$48.51 in fiscal year 2003;
2 (14) \$20.58 in fiscal year 2004; and
3 (15) \$00.00 after fiscal year 2004.

4 * Sec. 10. AS 43.23.110(c) and sec. 1, ch. 99, SLA 1985, are repealed.

5 * Sec. 11. Chapter 99, SLA 1985, and secs. 1 - 9 of this Act apply only
6 to permanent fund dividends for years beginning after December 31, 1988.
7 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and
8 this Act, permanent fund dividends for 1988 and prior years shall be made
9 under the law as it existed before the effective date of this Act.

10 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).
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Deleted
Language

New Language

Original sponsors: Kerttula, Halford,
Fischer and Uehling

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act amending and making effective an annuity
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12 * Section 1. AS 43.23.110(a) is amended to read:

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14 fund in the state treasury. The annuity investment fund consists of
15 money transferred from the dividend fund, cash contributions under
16 AS 43.23.125, and income earned by the annuity investment fund.
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
18 dividends taken as annuity credits under this chapter shall be annual-
19 ly transferred from the dividend fund to the annuity investment fund.

20 * Sec. 2. AS 43.23.110(b) is amended to read:

21 (b) Money in the annuity investment fund shall be invested by
22 the commissioner of revenue in investments authorized under AS 39.35.-
23 110. The commissioner of administration shall credit the net income
24 of the annuity investment fund to the individual annuity accounts and
25 the annuity reserve account.

26 * Sec. 3. AS 43.23 is amended by adding a new section to read:

27 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
28 ble to receive the permanent fund dividend as an annuity credit under
29 AS 43.23.005(d) but does not elect to do so or who elects to receive

Adminal

Adopted
the cash

only a portion of the permanent fund dividend as an annuity credit may make a cash contribution to that individual's annuity account. The cash contribution must be received by the Department of Revenue before September 30 of that dividend year. The total amount credited and contributed to an annuity account ^{in a year} may not exceed the amount of the permanent fund dividend for that year.

* Sec. 4. AS 43.23.130(a) is amended to read:

(a) An individual with one or more annuity credits or cash contributions under AS 43.23.125 may receive an annuity upon reaching the age of 65.

* Sec. 5. AS 43.23.130(b) is amended to read:

(b) An annuity under this section is a monthly payment based upon the principal and accrued interest in the person's annuity account. Upon appointment to receive an annuity, the account balance shall be transferred to the annuity reserve account. The [AN] annuity shall be paid from the annuity reserve account as a straight life annuity or other payment plan authorized by the commissioner of administration [THE DEPARTMENT OF ADMINISTRATION]. The size of the annuity may not vary on account of the individual's sex.

* Sec. 6. AS 43.23.130(e) is repealed and reenacted to read:

★ [AS.43.23.130(e)] pg 2 lines 6-23 replaced with (e) If a person elects to credit a permanent fund dividend or

make a cash contribution to an annuity account and dies before age 65, a lump sum payment shall be made to that person's designated beneficiary or beneficiaries. The lump sum payment includes all dividends or cash contributions credited to the person's annuity account and interest earned on the account. A person may change or revoke a designation without notice to the beneficiary or beneficiaries at any time. If a person designates more than one beneficiary, each shares equally unless the person specifies a different allocation or

1 preference. The designation, change, or revocation of beneficiary
2 shall be made on a form provided by the commissioner of administration
3 and is not effective until it is filed with the commissioner. If
4 there is no beneficiary designated or surviving, the lump sum payment
5 shall be paid to the

6 (1) surviving spouse;

7 (2) if there is no surviving spouse, in equal parts to the
8 surviving children including adopted children;

9 (3) if there is no surviving spouse or child, in equal
10 parts to the surviving parents; or

11 (4) if there is no surviving spouse, child, or parent. to
12 the annuity fund.

13 * Sec. 7. AS 43.23 is amended by adding a new section to read:

14 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
15 withdrawal from that individual's annuity account before reaching the
16 age of 65 if the individual establishes to the satisfaction of the
17 commissioner of administration that the withdrawal is necessary to
18 meet an unforeseeable emergency. The amount withdrawn may not exceed
19 the total amount in the individual's annuity account or the amount
20 actually necessary to meet the emergency, whichever is less. The
21 commissioner shall define the term "unforeseeable emergency" by regu-
22 lation. An individual may only make one withdrawal under this section
23 and may pay it back with interest under terms established by the
24 commissioner. An individual who has made a withdrawal under this
25 section may not elect to credit a dividend or make a cash contribution
26 to an annuity account for two years after the withdrawal.

27 * Sec. 8. AS 47.45.015(a) is amended to read:

28 (a) Except as provided in (b) and (c) of this section, the
29 monthly longevity bonus is equal to \$250, minus the maximum possible

1 straight life annuity [FOR A PERSON 65 YEARS OF AGE] under the annuity
2 program (AS 43.23.110 - 43.23.130), as determined by the commissioner
3 of administration. The maximum possible straight life annuity equals
4 the amount a person would receive if that person became 65 on Janu-
5 ary 2, 1989, and contributed 100 percent of all permanent fund divi-
6 dends or the cash equivalency to the annuity program for every year
7 after December 31, 1988. However, for purposes of this section the
8 maximum possible straight life annuity may not exceed the amount that
9 a person turning 65 in the current year would receive if that person
10 had contributed 100 percent of all permanent fund dividends or the
11 cash equivalency to the annuity program for every year after Decem-
12 ber 31, 1988.

13 * Sec. 9. AS 47.45.015 is amended by adding a new subsection to read:

14 (c) Notwithstanding (a) of this section, the monthly longevity
15 bonus in a fiscal year for a person who is 65 years of age after
16 January 1, 1989, may not exceed

- 17 (1) \$240.32 in fiscal year 1991;
18 (2) \$230.54 in fiscal year 1992;
19 (3) \$220.59 in fiscal year 1993;
20 (4) \$209.64 in fiscal year 1994;
21 (5) \$197.65 in fiscal year 1995;
22 (6) \$184.51 in fiscal year 1996;
23 (7) \$170.11 in fiscal year 1997;
24 (8) \$154.31 in fiscal year 1998;
25 (9) \$136.95 in fiscal year 1999;
26 (10) \$117.90 in fiscal year 2000;
27 (11) \$96.95 in fiscal year 2001;
28 (12) \$73.89 in fiscal year 2002;
29 (13) \$48.51 in fiscal year 2003;

1 (14) \$20.58 in fiscal year 2004; and

2 (15) \$00.00 after fiscal year 2004.

3 * Sec. 10. AS 43.23.116(a) and sec. 1, ch. 99, SLA 1985, are repealed.

4 * Sec. 11. Chapter 99, SLA 1985, and secs. 1 - 9 of this Act apply only
5 to permanent fund dividends for years beginning after December 31, 1988.
6 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and
7 this Act, permanent fund dividends for 1988 and prior years shall be made
8 under the law as it existed before the effective date of this Act.

9 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).
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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act relating to the Alaska
Longevity Bonus Program
Sponsor: _____
Requestor: _____

Agency Affected: Health & Social Services
BRU: Assistance Payments BRU
Components: OAA ALB Hold Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)

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

GENERAL FUND	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	(58.6)	(124.9)	(211.6)

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

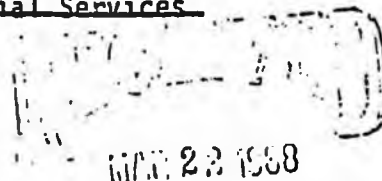
HCS CSSB No. 56 (2d SA) continues the hold harmless program, but no hold harmless provision for the annuity payments. As ALB payments decrease then the amount of ALB hold harmless for SSI replacement also decreases. The drop in ALBHH for SSI replacement is a net savings to the State.

Prepared by: John R. Taber, Director Phone: 465-3347
Division: Division of Public Assistance Date: 3-8-88

Approved by Commissioner: Miguel de Jesus Date: 3-9-88
Agency: Department of Health & Social Services

Distribution (by preparer):

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



Division of Public Assistance
 Assistance Payments BRU

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

1. The Governor's FY89 budget presumes continuation of the current Longevity Bonus program and the need for a Hold Harmless program. CSSB No. 56 continues the Hold Harmless program, but no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in fiscal year 1991, but that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the Annuity and Bonus payments will be as follows:

	<u>Bonus</u>	<u>Annuity</u>
FY88	\$250	0
FY89	\$250	0
FY90	\$250	0
FY91	\$240.32	\$ 9.68
FY92	\$230.54	\$19.16
FY93	\$220.59	\$29.41

4. Costs assume average age of new applicants for Old Age Assistance will be 65.

HCS CSSB No. 56 (2d SA) provides for a redesign of the ALB to include an annuity and assumes continuation of a full hold harmless for the Bonus. The impact of this proposed change is two-fold: as the ALB payments decrease then the amount of ALB Hold Harmless for SSI replacement also decreases. The drop in ALBHH for SSI replacement is a net savings to the State. As the Bonus payment decreases the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to OAA. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
Estimated number of Aged recipients receiving ALB Hold Harmless that replaces SSI income in amount \$220-250	368	428	488	548	608
Reduction in monthly Bonus	0	0	(\$10)	(\$19)	(\$29)
Average monthly State savings for SSI replacement (clients x Bonus reduction)	0	0	(4,880)	(10,412)	(17,632)
Fiscal year ALB Hold Harmless savings (Monthly x 12 months)	0	0	(58,560)	(124,944)	(211,584)

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An act amending and making BRU: Retirement and Benefits
effective an annuity program
 Sponsor: Kerttula Components: State Annuity System Management
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	314.5	314.5	314.5	314.5	314.5
TRAVEL	0	50.0	10.0	10.0	10.0	10.0
CONTRACTUAL	0	1,475.8	328.8	328.8	328.8	328.8
SUPPLIES	0	92.5	90.5	90.5	90.5	90.5
EQUIPMENT	0	110.4	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANECUS	0	0	0	0	0	0
TOTAL OPERATING	0	2,043.2	743.8	743.8	743.8	743.8
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2,043.2	(43.2)	(222.0)	(222.0)	(222.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	787.0	965.8	965.8	965.8
TOTAL	0	2,043.2	743.8	743.8	743.8	743.8

POSITIONS:

FULL-TIME	0	8	8	8	8	8
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared By: Robert F. Stalnaker, Acting Director *RS* Phone: 465-4470
 Division: Retirement and Benefits Date: 3-3-88

Approved by Commissioner: John M. Andrews *JA* Date: 3/9/88
 Agency: Department of Administration

Distribution (by preparer):

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

HCS CSSB 56 (SA)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 2, 1988

IV Analysis:

This Fiscal Note addresses costs to the Division of Retirement and Benefits for administration of the provisions of the Annuity Program as stated in HCS CSSB 56 (SA). This Fiscal Note differs from previous Notes due to the increase in staffing requirement because of the addition of Section 2 which will allow participants to make cash contributions. The cost of the program is anticipated to be borne entirely by the participants. We anticipate an up front General Fund appropriation for the first year but that will be paid back over 10 years from administrative fees charged to participants. We estimate that eight full-time positions will be needed to administer this program on a continuing basis. These positions are:

- 1 Retirement & Benefits Specialist III
- 1 Retirement & Benefits Specialist I/II
- 1 Retirement & Benefits Technician I/II
- 1 Accountant II
- 1 Accounting Technician I
- 2 Accounting Clerk III
- 1 Analyst/Programmer IV

Even though the estimated \$1,000.0 is for the design of a highly automated computer system, thereby eliminating the need for a large staff, the current version of SB 56 requires extensive manual effort to interface with the system. These positions will handle counseling, address and beneficiary changes, account maintenance, and cash contributions.

We anticipate the need for extensive travel in FY 89 to explain the program and answer questions at several locations throughout the state. In following years, we envision a few trips by the director's office to the field office.

We estimate large annual contractual needs for the operation of the Annuity Program as well as 1,000.0 in FY 89 to contract for the building of the new system. These ongoing contractual needs include: actuarial consulting services; annual notifications, FY 89 media blitz; data processing resources; telephone system, WATS line and long distance charges; and audits. We estimate that the Annuity Program will be fully

HCS CSSB 56 (SA)
Fiscal Note Analysis
Prepared by Division of Retirement & Benefits
Department of Administration

March 2, 1988

automated to reduce the need for a larger staff. We estimate that a one-time system analysis, development, and construction cost would be \$1,000.0. As noted previously, the system would be maintained by one Analyst/Programmer IV.

We will have on-going office supply needs for our new positions, microfilming supplies, computer paper stock, annual Statement of Accounts and 1099's. We will also have an FY 89 equipment need for office equipment for our 8 employees, additional floor space and the purchase of a microfilmer and reader for file maintenance.

We have requested FY 89 funding to be from General Fund appropriations. Even though we anticipate program receipts beginning in FY 89, we recommend that they be placed in a separate administrative fund to help cover future operational costs. We would establish an administrative fee structure to fund the on-going costs of operation and refund the FY 89 costs to the General Fund over a 10-year period.

A zero inflation rate is assumed for this fiscal note.

Position Title Retirement and Benefits Specialist III		No. of Positions 1	Range/Step 18A	Barg. Unit S
Time Status FT	Staff Months 12.0	Location Juneau (AWA)	Election District 4	
		Justification		
Type of Expenditure		Amount		
1	2	3		
Salary	37,680			
Benefits	13,192			
Premium Pay				
Other				
Total Personal Services		50,872		
Travel		25,000		
Contractual		2,000		
Commodities		500		
Equipment		9,900		
Other				
Total Cost		88,272		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	88,272		
GF Program Receipts	1005			
Other				
		<p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Retirement and Benefits Specialist III position would be responsible for the day-to-day administration of the program. Specific duties would include supervising the individuals who are counselling participants and maintaining the accounts, drafting regulations, answering inquiries regarding the options available and consequences of selecting or not selecting the annuity program; assisting with the design of an automated data processing system; writing standard operating procedures for implementation of the program; and writing informational material such as: advertising notices informing individuals of the new program and mass mail-out to all Alaskan households.</p>		

6/6B1/0301-88/3-4

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date _____

FY 89

Position Title Retirement and Benefits Specialist I/II		No. of Positions 1	Range/Step 16A	Barg. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Type of Expenditure		Amount		
1	2	3		
Salary	32,424			
Benefits	11,722			
Premium Pay				
Other				
Total Personal Services		44,146		
Travel				
Contractual		2,000		
Commodities		500		
Equipment		7,900		
Other				
Total Cost		54,546		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	54,546		
GF Program Receipts	1005			
Other				
Justification				
<p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Retirement and Benefits Specialist I/II position would have primary responsibility for counselling participants. Specific duties would include counselling individuals regarding the options available and consequences of selection or not selecting the annuity program; recommend changes in regulations based upon the needs of the program and participants; notifying participants of the balance in their annuity; assisting participants with an emergency hardship withdrawal.</p>				

6/6B1/0301-88/5-6

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

FY 89

Page 1 of 1
 Revised Date

Position Title Retirement and Benefits Technician I/II		No. of Positions 1	Range/Step 12B	Barg. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
Type of Expenditure		Justification		
1	2	3		
Salary	24,864	Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.		
Benefits	9,855			
Premium Pay				
Other				
Total Personal Services	34,719			
Travel		The Retirement and Benefits Technician would be responsible for the day-to-day counselling of participants. Specific duties would include responding to telephone calls or written correspondence, notifying individuals of an assessment against their Alaska Permanent Fund Dividend and their options for making a cash contribution to the annuity program.		
Contractual		25,000		
Commodities		2,000		
Equipment		500		
Other		5,800		
Total Cost		68,019		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	68,019		
GF Program Receipts	1005			
Other				

6/6B1/0301-88/7-8

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date _____

FY 89

Position Title Accountant II		No. of Positions: 1	Range/Step 16A	Barg. Unit GGU																																																															
Time Status FT	Staff Months 12.0	Location Juneau		Election District 4																																																															
<table border="1"> <thead> <tr> <th>Type of Expenditure</th> <th>2</th> <th>Amount</th> </tr> <tr> <th>1</th> <th></th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>32,424</td> <td></td> </tr> <tr> <td>Benefits</td> <td>11,722</td> <td></td> </tr> <tr> <td>Premium Pay</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td>Total Personal Services</td> <td></td> <td>44,146</td> </tr> <tr> <td>Travel</td> <td></td> <td></td> </tr> <tr> <td>Contractual</td> <td></td> <td>2,000</td> </tr> <tr> <td>Commodities</td> <td></td> <td>500</td> </tr> <tr> <td>Equipment</td> <td></td> <td>7,900</td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td>Total Cost</td> <td></td> <td>54,546</td> </tr> <tr> <td colspan="2">Funding Source for Total Cost</td> <td></td> <td></td> </tr> <tr> <td>Federal Receipts</td> <td>1002</td> <td></td> <td></td> </tr> <tr> <td>G. F. Match</td> <td>1003</td> <td></td> <td></td> </tr> <tr> <td>General Fund</td> <td>1004</td> <td>54,546</td> <td></td> </tr> <tr> <td>GF Program Receipts</td> <td>1005</td> <td></td> <td></td> </tr> <tr> <td>Other</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		Type of Expenditure	2	Amount	1		3	Salary	32,424		Benefits	11,722		Premium Pay			Other			Total Personal Services		44,146	Travel			Contractual		2,000	Commodities		500	Equipment		7,900	Other			Total Cost		54,546	Funding Source for Total Cost				Federal Receipts	1002			G. F. Match	1003			General Fund	1004	54,546		GF Program Receipts	1005			Other				Justification <p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Accountant II will be responsible for establishing, implementing and maintaining the accounting functions of this program. Specific duties will include reconciling the transfers from the Alaska Permanent Fund Dividend program, cash deposits from individuals and interest posted with the balances maintained on the annuity program file, determining the amount of the maximum offset for the year, transferring funds from the Alaska Permanent Fund to the division in order to set up the annuity, reconciling the annuities paid out each month.</p>		
Type of Expenditure	2	Amount																																																																	
1		3																																																																	
Salary	32,424																																																																		
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6/6B1/0301-88/9-10

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Accounting Technician I		No. of Positions 1	Range/Step 12A	Org. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
		Justification		
Type of Expenditure		Amount		
1	2	3		
Salary	24,864			
Benefits	9,855			
Premium Pay				
Other				
Total Personal Services		34,719		
Travel				
Contractual		2,000		
Commodities		500		
Equipment		5,800		
Other				
Total Cost		43,019		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	43,019		
GF Program Receipts	1005			
Other				
		<p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Accounting Technician I would be responsible for accepting transfers from the Alaska Permanent Fund Dividend program, balancing direct transfers, cash deposits and interest posted with the balances maintained on the annuity program file, recommending changes to accounting procedures and reports.</p>		

6/6B1/0301-88/11-12

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Analyst/Programmer IV		No. of Positions 1	Range/Step 19A	Barg. Unit GGU																																				
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4																																				
<table border="1"> <thead> <tr> <th colspan="2">Type of Expenditure</th> <th>Amount</th> </tr> <tr> <th>1</th> <th>2</th> <th>3</th> </tr> </thead> <tbody> <tr> <td>Salary</td> <td>40,032</td> <td rowspan="4"></td> </tr> <tr> <td>Benefits</td> <td>13,601</td> </tr> <tr> <td>Premium Pay</td> <td></td> </tr> <tr> <td>Other</td> <td></td> </tr> <tr> <td colspan="2">Total Personal Services</td> <td>53,633</td> </tr> <tr> <td colspan="2">Travel</td> <td></td> </tr> <tr> <td colspan="2">Contractual</td> <td>4,000</td> </tr> <tr> <td colspan="2">Commodities</td> <td>500</td> </tr> <tr> <td colspan="2">Equipment</td> <td>10,500</td> </tr> <tr> <td colspan="2">Other</td> <td></td> </tr> <tr> <td colspan="2">Total Cost</td> <td>68,633</td> </tr> </tbody> </table>		Type of Expenditure		Amount	1	2	3	Salary	40,032		Benefits	13,601	Premium Pay		Other		Total Personal Services		53,633	Travel			Contractual		4,000	Commodities		500	Equipment		10,500	Other			Total Cost		68,633	Justification <p>Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.</p> <p>The Analyst/Programmer IV will be responsible for designing, writing and maintaining the automated data processing program. Specific duties will include writing a data processing program to track participant account balances and personal data, producing reports that will allow the accounting staff to reconcile transfers in and out of the program and producing automated federal withholding reports.</p>		
Type of Expenditure		Amount																																						
1	2	3																																						
Salary	40,032																																							
Benefits	13,601																																							
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Other																																								

6/6B1/0301-88/15-16

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

Position Title Accounting Clerk III		No. of Positions 2	Range/Step 10B	Barg. Unit GGU
Time Status FT	Staff Months 12.0	Location Juneau (AWA)		Election District 4
		Justification		
Type of Expenditure		Amount		
1	2	3		
Salary	45,432			
Benefits	18,648			
Premium Pay				
Other				
Total Personal Services		64,080		
Travel				
Contractual		4,000		
Commodities		1,000		
Equipment		11,000		
Other				
Total Cost		80,080		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	80,080		
GF Program Receipts	1005			
Other				

Senate Bill 56 would allow individuals to contribute to an annuity program that will supplement the amount of money available under the Longevity Bonus Program. We anticipate that it would require 8 positions to administer this program.

The Accounting Clerk III positions will have the primary responsibility for depositing the cash contributions. Specific duties will require knowledge of AKSAS, reconciliation of deposits, verifying that cash contributions do not exceed maximum allowable.

6/6B1/0301-88/13-14

**Request For
New Position**

Agency Administration
 BRU Retirement and Benefits
 Component Retirement and Benefits

Page 1 of 1
 Revised Date

FY 89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act amending and making
effective an annuity program BRU: Longevity Bonus
 Sponsor: Kerttula, Halford, et al. Components: Grants
 Requestor: House State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	(3,798.2)	(8,282.3)	(12,891.2)	(17,620.8)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	(3,798.2)	(8,282.3)	(12,891.2)	(17,620.8)
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	(3,798.2)	(8,282.3)	(12,891.2)	(17,620.8)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	(3,798.2)	(8,282.3)	(12,891.2)	(17,620.8)

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attachments.

Prepared By: Jim Fox, Deputy Commissioner Phone: 465-2200
 Division: Department of Administration Date: 01/25/88

Approved by Commissioner: John M. Andrews Date: 01/25/88
 Agency: Department of Administration

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

JAN 27 1988

6256

The following is a conservative estimate of the costs of the draft proposal related to House CS for CS for Senate Bill No. 56 (2d State Affairs). Because of the relatively short time involved a thorough analysis has not been accomplished and the figures are based on a number of assumptions which could be further refined within a few days.

For example the Department of Labor figures for projected census in the age category in question are in the process of being refined. Their recent experience, as well as ours, indicates that the 1984 figures contained in the ALASKA POPULATION PROJECTIONS may well be too-high.

The number of people moving into Alaska in the 65 to 70 age group has been assumed to equal the number moving out of Alaska. This may not be entirely accurate, but in any event the effect would probably equal less than 1.5% for that age group. Again, a bit more time would allow for refinement.

The mortality factors were developed using the age distribution of existing eligible beneficiaries as taken from the January, 1988 Longevity Bonus program. The 1984 UNISEX PENSION MORTALITY TABLE supplied by the Division of Retirement and Benefits was used to determine projected attrition in that population group. This table may not be totally reflective of the general population in Alaska.

The figures given do not include operating costs for the Longevity Bonus Program. The Division of Pioneers Benefits currently budgets about \$325,000 per year for administration of this program. It is anticipated that this cost would hold constant for at least the first few years. An actual fiscal note will also include some start-up costs for the change, primarily due to the need to develop a better data system in order to keep track of the variable payment rates. This will be absolutely necessary if the administrative overhead is to be held constant.

Longevity Bonus Grant Program
CS SB56 (2nd State Affairs)

INIT. OF OLD PNT.	AVG. PNT. TO NEW ELG. (65 AFTER 1/2/09)	REMAINING FROM CURR PROGRAM	ATTRITION RATE FOR REMAINING ELIG.	EST. REMAIN AT END FY ORIG.	PMT. FOR RECEIP.	GF PAYMENT FOR BONUS	CUMULATIVE EXPENDITURES	COST OF ADL N/O SB56 (4% GROWTH)	ESTIMATED GRANT SAVINGS	CUMULATIVE SAVINGS
\$250.00	\$519,000	17,473	.043202	16718	\$51,286,705	\$51,805,705	\$51,805,705	\$51,805,705	\$0	\$0
\$250.00	\$1,079,520	16,718	.046026	15349	\$49,000,199	\$50,079,713	\$101,005,424	\$53,077,933	\$3,798,215	\$3,798,215
\$240.32	\$1,079,230	15,949	.043092	15166	\$46,671,562	\$47,750,792	\$149,636,216	\$56,033,051	\$8,282,259	\$12,090,474
\$230.54	\$1,076,722	15,185	.043342	14372	\$44,306,436	\$45,303,150	\$195,019,374	\$50,274,373	\$12,891,215	\$24,971,689
\$220.39	\$1,071,461	14,372	.035708	13570	\$41,913,068	\$42,904,529	\$230,003,903	\$60,605,348	\$17,620,819	\$42,592,507
\$209.64	\$1,059,005	13,570	.030458	12763	\$39,500,130	\$40,559,136	\$278,563,039	\$63,029,562	\$22,470,426	\$65,062,933
\$197.65	\$1,038,375	12,763	.063306	11954	\$37,076,337	\$38,114,712	\$316,677,751	\$65,550,744	\$27,436,032	\$92,498,965
\$104.51	\$1,000,116	11,951	.057602	11146	\$34,650,615	\$35,648,731	\$352,376,402	\$60,172,774	\$32,514,043	\$125,013,008
\$170.11	\$966,616	11,145	.072131	10342	\$32,232,441	\$33,193,057	\$385,535,539	\$70,093,605	\$37,700,620	\$162,713,636
\$154.31	\$911,909	10,342	.077000	9546	\$29,031,954	\$30,743,063	\$416,279,402	\$73,735,672	\$42,991,810	\$205,705,445
\$136.95	\$841,691	9,546	.082230	8761	\$27,460,042	\$28,301,734	\$444,501,135	\$76,605,099	\$48,383,366	\$254,108,811
\$117.90	\$753,595	8,761	.087033	7991	\$25,120,404	\$25,801,999	\$470,463,134	\$79,752,503	\$53,870,504	\$307,979,315
\$96.95	\$644,474	7,991	.093035	7242	\$22,049,351	\$23,493,824	\$493,956,959	\$82,942,603	\$59,440,779	\$367,420,094
\$73.09	\$510,030	7,242	.103256	6516	\$20,635,533	\$21,146,363	\$515,103,322	\$86,260,307	\$65,113,944	\$432,532,038
\$48.51	\$348,783	6,516	.107117	5818	\$18,499,644	\$18,848,427	\$533,951,749	\$89,710,720	\$70,862,293	\$503,394,331
\$20.50	\$153,887	5,818	.114474	5152	\$16,453,014	\$16,607,702	\$550,559,450	\$93,239,148	\$76,691,447	\$580,075,778
4.00	40	5,152	.123385	4521	\$14,509,146	\$14,509,146	\$565,068,596	\$97,031,114	\$82,521,969	\$662,597,747
4.00	40	4,521	.130879	3929	\$12,675,841	\$12,675,841	\$577,744,437	\$100,912,359	\$88,236,518	\$750,834,265
4.00	40	3,929	.139970	3373	\$10,963,210	\$10,963,210	\$588,707,647	\$104,948,053	\$93,985,643	\$844,819,908
4.00	40	3,373	.149735	2973	\$9,379,133	\$9,379,133	\$598,006,785	\$109,146,007	\$99,767,669	\$944,587,577
4.00	40	2,973	.160245	2413	\$7,929,451	\$7,929,451	\$606,016,236	\$113,512,600	\$105,503,229	\$1,050,170,806
4.00	40	2,413	.171632	1999	\$6,617,501	\$6,617,501	\$612,633,017	\$118,053,187	\$111,435,606	\$1,161,606,412

TABLE AT BEGINNING OF FY89 ANTICIPATED ANNUAL GROWTH RATE
4.00%

ORIGINAL AMOUNT OF LONGEVITY PNT.
\$250.00

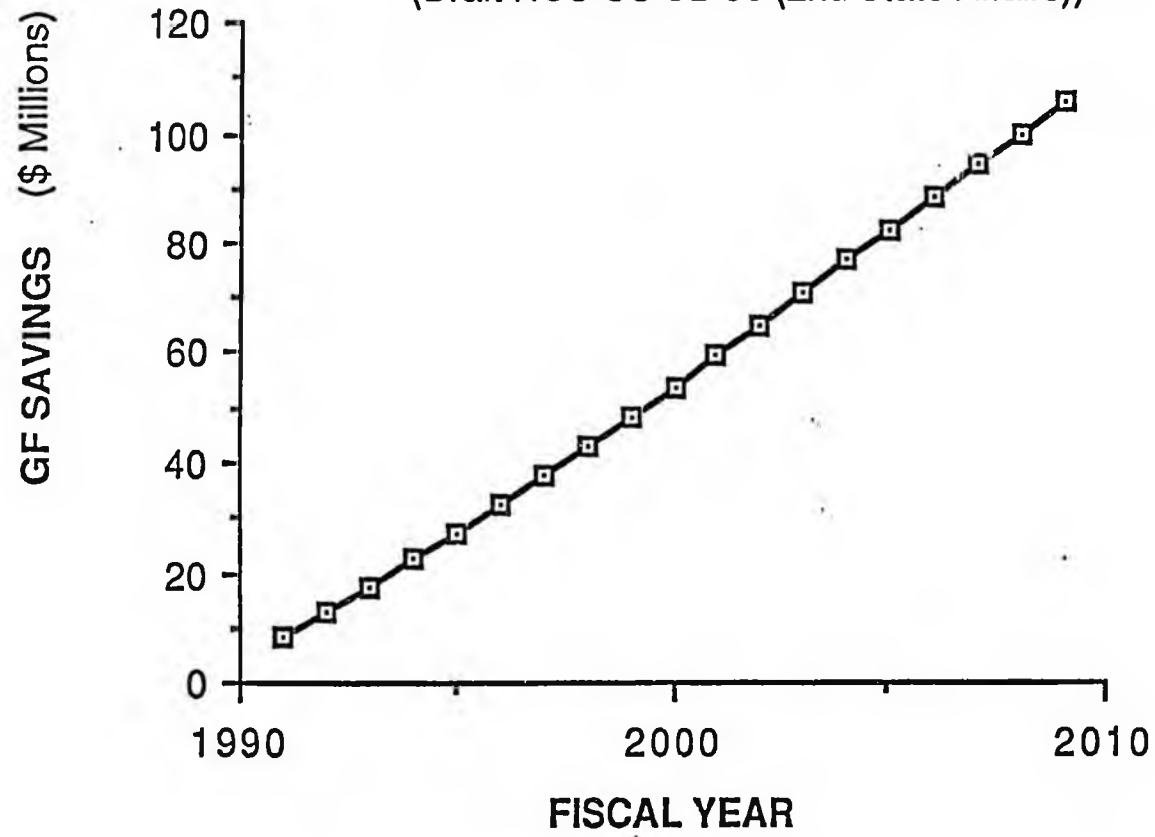
are based on bonus payments to half of the
or of new recipients in a given year added to
prior year recipients. Since a growth factor is
to group as a whole, no mortality rate was

number of recipients is based on a straight line
th rate of four percent in the annual number of

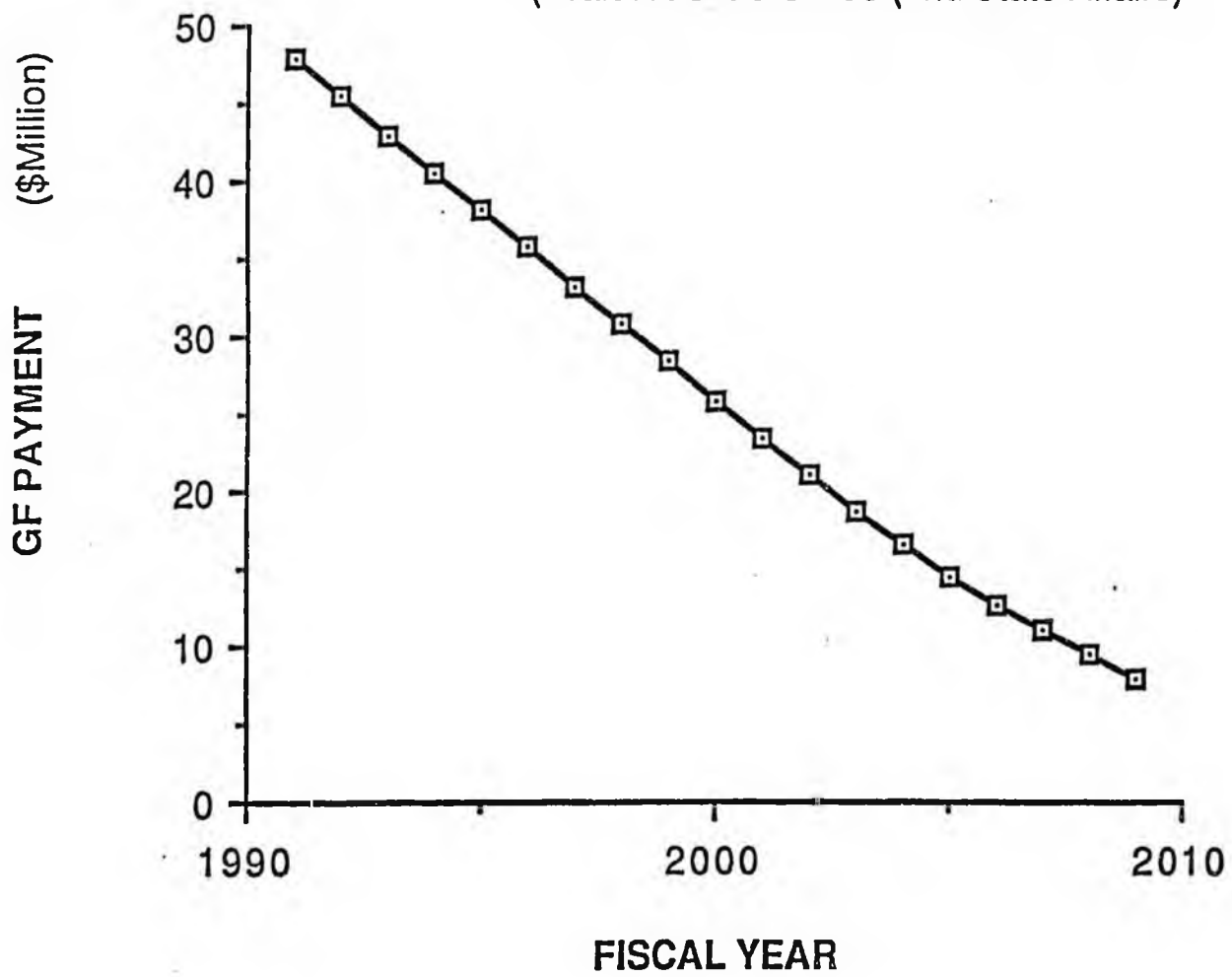
is the maximum specified in the draft for new

ANNUAL SAVINGS

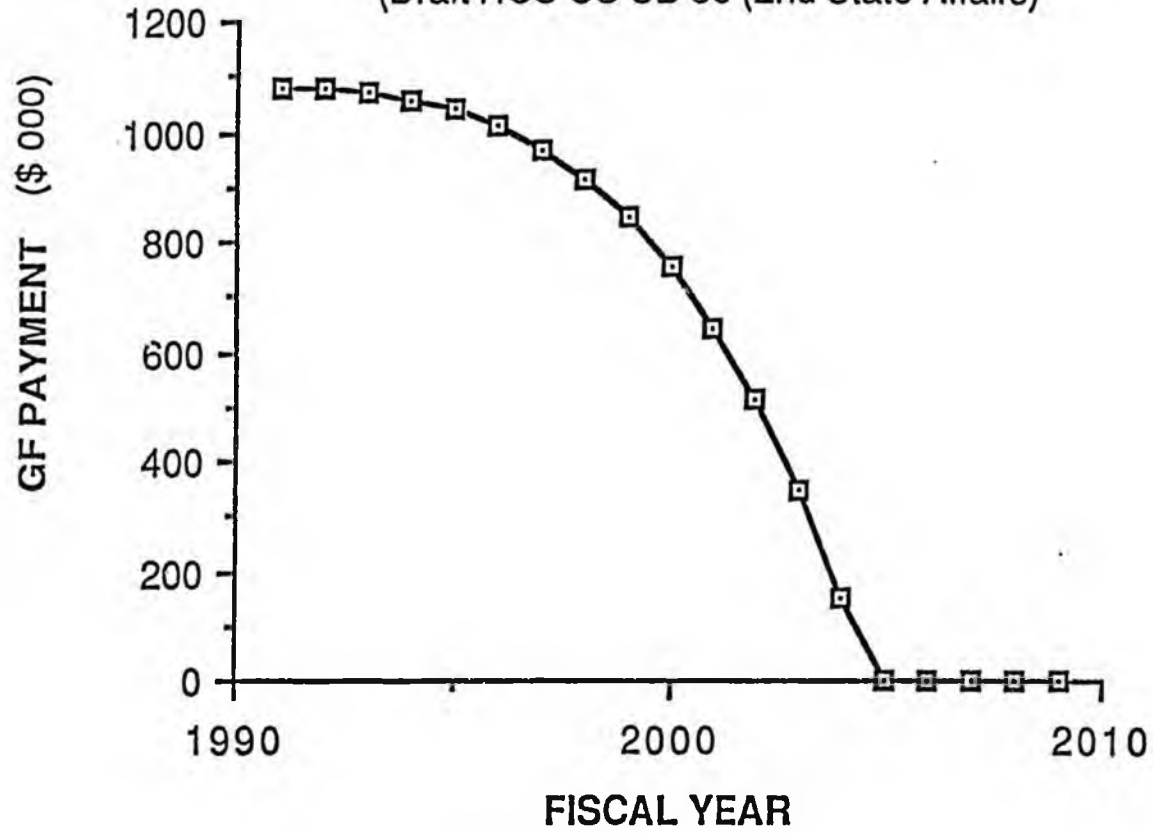
(Draft HCS CS SB 56 (2nd State Affairs))



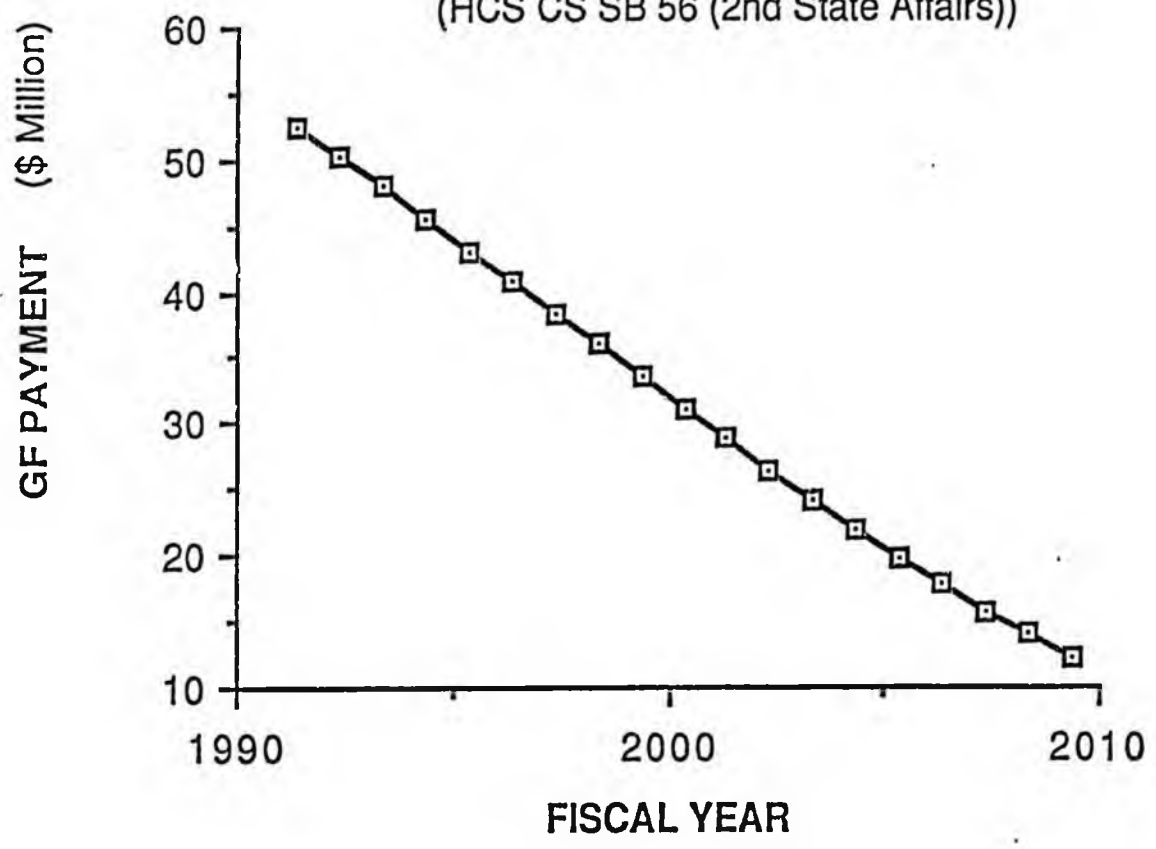
ANNUAL COST OF GRANTS
(Draft HCS CS SB 56 (2nd State Affairs))



Grant Cost for Annuity Recipients
(Draft HCS CS SB 56 (2nd State Affairs))



Grant Cost for Original Recipients
DRAFT
(HCS CS SB 56 (2nd State Affairs))



The following table is an estimate of the amount of grant payments if the basic \$250 Longevity Bonus payment were to be fractionally reduced. The table is based on the same assumptions as the above projections. The chart reflects a number of different decrement scenarios in increments of \$10.

A base decrement was not contemplated in the draft material. This table is for informational purposes only.

ANNUITY REDUCTIONS ESTIMATED FROM STATED MAXIMUM ALS PAYMENTS IN DRAFT

ANNUAL COST
IF BONUS AMOUNT
CHANGED

==+

YEAR	AT \$250 GF COSTS	AT \$240 GF COSTS	AT \$230 GF COSTS	AT \$220 GF COSTS	AT \$210 GF COSTS	AT \$200 GF COSTS	AT \$190 GF COSTS	AT \$180 GF COSTS
1989	\$51,805,705	\$49,733,477	\$47,661,249	\$45,589,021	\$43,516,792	\$41,444,564	\$39,372,336	\$37,300,108
1990	\$50,079,719	\$48,075,530	\$46,073,341	\$44,070,152	\$42,066,964	\$40,063,775	\$38,060,586	\$36,057,397
1991	\$47,750,792	\$45,839,022	\$43,927,251	\$42,015,481	\$40,103,710	\$38,191,939	\$36,280,169	\$34,365,398
1992	\$45,383,158	\$43,564,496	\$41,745,234	\$39,926,273	\$38,107,311	\$36,258,349	\$34,449,367	\$32,650,425
1993	\$42,954,529	\$41,259,434	\$39,534,339	\$37,809,243	\$36,084,148	\$34,359,053	\$32,633,958	\$30,903,862
1994	\$40,559,136	\$38,928,615	\$37,296,094	\$35,657,574	\$34,037,053	\$32,406,533	\$30,776,012	\$29,145,491
1995	\$38,114,712	\$36,579,122	\$35,043,533	\$33,507,543	\$31,972,354	\$30,436,764	\$28,901,175	\$27,365,585
1996	\$35,658,731	\$34,218,069	\$32,777,407	\$31,355,745	\$29,896,083	\$28,455,421	\$27,014,759	\$25,574,097
1997	\$33,199,057	\$31,852,537	\$30,506,816	\$29,160,695	\$27,814,575	\$26,468,454	\$25,122,333	\$23,776,213
1998	\$30,743,363	\$29,491,459	\$28,239,415	\$26,985,741	\$25,734,366	\$24,481,992	\$23,229,518	\$21,977,244
1999	\$28,301,734	\$27,141,872	\$25,982,911	\$24,822,149	\$23,652,288	\$22,502,426	\$21,342,565	\$20,182,704
2000	\$25,861,999	\$24,812,945	\$23,743,890	\$22,574,336	\$21,605,782	\$20,536,727	\$19,467,673	\$18,398,619
2001	\$23,443,824	\$22,513,376	\$21,532,927	\$20,552,478	\$19,572,029	\$18,591,580	\$17,611,131	\$16,630,682
2002	\$21,146,363	\$20,251,808	\$19,357,235	\$18,462,696	\$17,563,142	\$16,673,587	\$15,779,032	\$14,834,477
2003	\$18,848,427	\$18,035,542	\$17,224,057	\$16,412,772	\$15,600,837	\$14,799,715	\$14,059,729	\$13,319,743
2004	\$16,607,702	\$15,874,774	\$15,141,646	\$14,479,357	\$13,821,204	\$13,163,052	\$12,504,899	\$11,846,746
2005	\$14,509,146	\$13,928,780	\$13,348,414	\$12,768,048	\$12,187,682	\$11,607,317	\$11,026,951	\$10,446,585
2006	\$12,575,641	\$12,166,808	\$11,661,774	\$11,154,740	\$10,647,707	\$10,140,673	\$9,633,639	\$9,126,606
2007	\$10,553,210	\$10,524,682	\$10,086,153	\$9,647,625	\$9,209,096	\$8,770,566	\$8,332,040	\$7,893,511
2008	\$9,379,133	\$9,003,972	\$8,628,807	\$8,253,641	\$7,878,476	\$7,503,310	\$7,128,145	\$6,752,979
2009	\$7,929,451	\$7,612,273	\$7,295,095	\$6,977,917	\$6,660,739	\$6,343,561	\$6,026,383	\$5,709,205
2010	\$6,617,581	\$6,352,877	\$6,088,174	\$5,823,471	\$5,558,768	\$5,294,064	\$5,029,361	\$4,764,658

YEAR	AT \$170 GF COSTS	AT \$160 GF COSTS	AT \$150 GF COSTS
1989	\$35,227,880	\$33,155,651	\$31,083,423
1990	\$34,054,209	\$32,051,020	\$30,047,831
1991	\$32,456,628	\$30,544,857	\$28,633,087
1992	\$30,831,464	\$29,012,502	\$27,193,540
1993	\$29,163,767	\$27,458,672	\$25,733,577
1994	\$27,514,971	\$25,884,450	\$24,253,929
1995	\$25,829,996	\$24,294,406	\$22,758,817
1996	\$24,133,435	\$22,692,772	\$21,252,110
1997	\$22,430,092	\$21,083,971	\$19,737,851
1998	\$20,724,870	\$19,472,496	\$18,220,122
1999	\$19,022,642	\$17,862,981	\$16,703,119
2000	\$17,329,564	\$16,260,510	\$15,191,456
2001	\$15,650,233	\$14,669,784	\$13,709,610
2002	\$14,032,162	\$13,206,741	\$12,381,320
2003	\$12,577,758	\$11,839,772	\$11,099,786
2004	\$11,188,594	\$10,530,441	\$9,872,289
2005	\$9,866,219	\$9,285,653	\$8,705,487
2006	\$8,619,572	\$8,112,538	\$7,605,505
2007	\$7,454,963	\$7,016,454	\$6,577,926
2008	\$6,377,814	\$6,002,649	\$5,627,463
2009	\$5,392,927	\$5,074,649	\$4,757,671
2010	\$4,497,955	\$4,235,252	\$3,970,545

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: An Act amending and making
effective an annuity program
 Sponsor: Kerttula, Halford, et al.
 Requestor: House State Affairs
 BRU: Longevity Bonus
 Components: Grants

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	(284.4)	(822.4)	(1,641.9)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	(284.4)	(822.4)	(1,641.9)
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	(284.4)	(822.4)	(1,641.9)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	(284.4)	(822.4)	(1,641.9)

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attachment.

RECEIVED
MAR 11 1988

Prepared By: Jim Fox, Deputy Commissioner
 Division: Department of Administration

Phone: 465-2200
 Date: 03/09/88

Approved by Commissioner: John M. Andrews
 Agency: Department of Administration

Date: 3/9/88

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

FY	AVG. # NEW ELIG.	AMT. OF ALB PMT.	AVG. PMT. TO NEW ELG. (65 AFTER 1/2/89)	REMAINING REC. FROM CURRENT PROGRAM	PMT. FOR ORIG. RECIP.	GF PAYMENT FOR BONUS	COST W/O PASSAGE	COST SAV. W/ PASSAGE
1989	920	\$250.00	\$689,742	17,812	\$52,281,232	\$52,970,974	\$52,970,974	(\$0)
1990	968	\$250.00	\$4,284,677	17,042	\$49,950,387	\$54,235,064	\$54,235,064	(\$0)
1991	1020	\$240.32	\$7,059,492	16,258	\$47,576,595	\$54,636,087	\$54,920,441	\$284,354
1992	1074	\$230.54	\$9,742,759	15,460	\$45,165,605	\$54,908,364	\$55,730,755	\$822,391
1993	1131	\$220.59	\$12,315,261	14,651	\$42,725,826	\$55,041,087	\$56,683,010	\$1,641,923
1994	1191	\$209.64	\$14,699,114	13,833	\$40,266,098	\$54,965,212	\$57,795,093	\$2,829,881
1995	1254	\$197.65	\$16,831,963	13,011	\$37,795,303	\$54,627,266	\$59,085,416	\$4,458,150
1996	1320	\$184.51	\$18,635,930	12,186	\$35,322,543	\$53,958,473	\$60,573,112	\$6,614,639
1997	1390	\$170.11	\$20,019,178	11,362	\$32,857,477	\$52,876,655	\$62,278,408	\$9,401,752
1998	1464	\$154.31	\$20,870,317	10,543	\$30,410,441	\$51,280,757	\$64,222,761	\$12,942,004
1999	1541	\$136.95	\$21,055,489	9,731	\$27,992,534	\$49,048,024	\$66,428,988	\$17,380,964
2000	1623	\$117.90	\$20,422,952	8,931	\$25,615,682	\$46,038,634	\$68,921,348	\$22,882,714
2001	1709	\$96.95	\$18,782,297	8,146	\$23,292,434	\$42,074,731	\$71,725,382	\$29,650,650
2002	1800	\$73.89	\$15,910,578	7,382	\$21,035,687	\$36,946,266	\$74,867,362	\$37,921,396
2003	1895	\$48.51	\$11,548,708	6,642	\$18,858,380	\$30,407,087	\$78,375,529	\$47,968,442
2004	1995	\$20.58	\$5,392,260	5,930	\$16,772,879	\$22,165,138	\$82,276,518	\$60,111,360
2005	2101	\$0.00	\$0	5,252	\$14,790,500	\$14,790,500	\$86,597,913	\$71,807,413
2006	2213	\$0.00	\$0	4,609	\$12,921,645	\$12,921,645	\$91,366,931	\$78,445,286
2007	2330	\$0.00	\$0	4,006	\$11,175,803	\$11,175,803	\$96,610,770	\$85,434,967
2008	2453	\$0.00	\$0	3,445	\$9,561,014	\$9,561,014	\$102,356,115	\$92,795,101
2009	2583	\$0.00	\$0	2,929	\$8,083,215	\$8,083,215	\$108,628,537	\$100,545,322
2010	2720	\$0.00	\$0	2,460	\$6,745,905	\$6,745,905	\$115,452,210	\$108,706,305

BASE NUMBER ELIGIBLE AT BEGINNING OF FY89 ANTICIPATED ANNUAL GROWTH RATE
17352 5.30%

BASE YEAR ORIGINAL AMOUNT OF LONGEVITY PMT.
1989 \$250.00

Payments shown are based on bonus payments to estimated average number of new recipients in a given year added to the number of prior year recipients. Since a growth factor is assumed for the group as a whole, no mortality rate was factored in.

The estimate of number of recipients is based on a straight line projected growth rate from Department of Labor for the affected age group.

The bonus payment is the maximum specified in the draft for new recipients. This figure was used since the cost of administration for the annuity program will be very high (in proportion to the initial number of participants and income) for the first years making it highly unlikely that the annuity income for a recipient would result in less cost to the Longevity Program than that permitted by the maximum specified in the bill.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
 Title: An act amending and making effective an annuity program BRU: Longevity Bonus
 Sponsor: Kerttula, Halford, et al. Components: Administration
 Requestor: House State Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	15.0	0	0	0	0
CONTRACTUAL	0	10.0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	25.0	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	25.0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	25.0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attachment

Prepared By: Nadine Winters, Administrator *NW* Phone: 465-4400
 Division: Pioneers' Benefits Date: 2-23-88

Approved by Commissioner: John M. Andrews *JMA* Date: 2/19/88
 Agency: Department of Administration

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

CONTINUATION of FISCAL NOTE ANALYSIS
For Bill/Resolution No. HCS CSSB 56 (SA)

SUBJECT OF PROPOSED BILL:

This fiscal note addresses administrative costs only for the Longevity Bonus Program.

SUMMARY/EXPLANATION OF INTENT:

Two payment systems will be run in the division. The first payment would pay a monthly amount of \$250.00 for those eligibles age 65 prior to January 1, 1989. The second would pay monthly payments, varying each year, for those age 65 after January 1, 1989. The assumption is made that the Division of Retirement and Benefits will issue the annuity checks and the Division of Pioneers' Benefits will issue checks for the declining amount of the Longevity Bonus.

ESTIMATED FISCAL IMPACT:

Contractual Services	\$10,000
Computer System Modification by Contractor	
Travel	
Public Hearings/Meetings	\$15,000
Two employees to Anchorage, Fairbanks, Nome Kotzebue, Bethel, Barrow, Kodiak and Ketchikan	

Given the complexity of the annuity program, an extensive educational program will be undertaken by the Division of Pioneers' Benefits, Division of Retirement and Benefits, and the Permanent Fund Dividend Division. This educational program will include distribution of printed material which will be published by Permanent Fund Dividend Division, radio and TV ads which will be produced by the Division of Retirement and Benefits, and public meetings/technical assistance to be conducted by the Division of Pioneers' Benefits. All aspects of the program will be coordinated with all three divisions, even though funding is spread across three fiscal notes.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An act relating to the Alaska
Longevity Bonus Program
Sponsor: _____
Requestor: _____

Agency Affected: Health & Social Services
BRU: Assistance Payments BRU
Components: OAA ALB Ho'd Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	(41.1)	(99.6)	(177.6)	(277.2)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	(41.1)	(99.6)	(177.6)	(277.2)
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	(41.1)	(99.6)	(177.6)	(277.2)
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	0	0	0	0	0	0
TOTAL	0	0	(41.1)	(99.6)	(177.6)	(277.2)

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

CSSB No. 56 continues the hold harmless program, but no hold harmless provision for the annuity payments. As ALB payments decrease, then the amount of ALB hold harmless for SSI replacement also decreases. The drop in ALBHH for SSI replacement is a net savings to the State.

Prepared by: John R. Taber, Director
Division: Division of Public Assistance

Phone: 465-3347
Date: 1/22/88

Approved by Commissioner: Marya M. Nunson
Agency: Department of Health & Social Services

Date: Jan 25, 1988

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

RECEIVED
FEB 2 1988

Division of Public Assistance
 Assistance Payments BRU

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

1. The Governor's FY89 budget presumes continuation of the current Longevity Bonus program and the need for a Hold Harmless program. CSSB No. 56 continues the Hold Harmless program, but no Hold Harmless provision for annuity payments.
2. We assume the first annuity payments will be made in July, 1989, but that no Old Age Assistance applicants or recipients will elect to participate.
3. We assume that the Annuity and Bonus payments will be as follows:

	<u>Bonus</u>	<u>Annuity</u>
FY88	\$250	0
FY89	\$250	0
FY90	\$242	\$ 7.74
FY91	\$233	\$16.71
FY92	\$223	\$26.76
FY93	\$212	\$37.75

4. Costs assume average age of new applicants for Old Age Assistance will be 65.

CSSB No. 56 provides for a redesign of the ALB to include an annuity and assumes continuation of a full hold harmless for the Bonus. The impact of this proposed change is two-fold: as the ALB payments decrease then the amount of ALB Hold Harmless for SSI replacement also decreases. The drop in ALBHH for SSI replacement is a net savings to the State. As the Bonus payment decreases the amount of ALB Hold Harmless for OAA replacement decreases and shifts back to OAA. The amount of this decrease is a dollar for dollar shift back to Old Age Assistance in the Adult Public Assistance (APA) component.

	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
Estimated number of Aged recipients receiving ALB Hold Harmless that replaces SSI income in amount \$212-250	368	428	488	548	608
Reduction in monthly Bonus	0	(\$8)	(\$17)	(\$27)	(\$38)
Average monthly State savings for SSI replacement (clients x Bonus reduction)	0	(3424)	(8296)	(14796)	(23104)
Fiscal year ALB Hold Harmless savings (Monthly x 12 months)	0	(41088)	(99552)	(177552)	(277248)

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

STEVE COWPER, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
P.O. BOX SB
JUNEAU, ALASKA 99811-0400

March 23, 1988

The Honorable Al Adams
Chairman, House Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Adams:

I have reviewed the enclosed March 7, 1988 letter suggesting amendments to a version of SB 56.

I would suggest that the second sentence of that proposed AS 43.23.110(d) be deleted and that the second sentence of AS 43.23.110(b) be amended to read:

The commissioner of administration shall credit the net income of the annuity investment fund to the individual annuity accounts and the Annuity Reserve Account.

This preserves the idea of crediting only net income, after expenses for cost of administration.

Sincerely,



Milton B. Barker
Deputy Commissioner

MBB/gb
88-85

Enclosure

cc: Royce Weller
Robert Stalnaker, Retirement & Benefits

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF ADMINISTRATION

POUCH C (MS 0200)
JUNEAU, ALASKA 99811
PHONE: (907) 465-2200

OFFICE OF THE COMMISSIONER

March 7, 1988

*Milt,
Please review - if
recommendations let
me know,
Roger*

Honorable Fran Ulmer
Chairman
House State Affairs Committee
P.O. Box V
Juneau, Alaska 99811-3100

Dear Representative Ulmer:

As requested by Dennis Burns, I recommend the following changes and have attached proposed amendments to the current language in Section 4 of HCSCSSB 56 (SA) and to other sections of the Annuity Program.

I recommend that an alternative method be used in paying annuities from the annuity investment fund, similar to that under the Public Employees' Retirement System (PERS). A separate account could be maintained within the fund to serve as the annuity reserve account. Upon application for the annuity, the full balance of the member's annuity account would be transferred to the annuity reserve account for payment of future annuities. The current language would require instead that an annual appropriation be made from the fund to the Department of Administration. The method described above is used in the PERS and provides several advantages: the money in this account can still be used by the Department of Revenue for investment; this would remove the necessity for the annual estimation of how many members will choose to retire and what amount should be appropriated; and it would remove the need for supplemental appropriations when an insufficient amount is appropriated.

The death benefit provision should be amended to allow payment of a deceased participant's annuity account to a designated beneficiary, or if there is no surviving beneficiary, the order of payment would be enumerated. This amendment would be consistent with other retirement systems administered by the State and would make the death benefit provision more attractive. The "lump sum death benefit" provisions under the retirement systems have been very easy to administer. Members of these systems are comforted by the fact that, if they die, the total in their contribution accounts will be paid to their designated beneficiaries or their families. If no spouse, child or parent survives, the account balance would revert to the annuity investment fund.

Under the existing death benefit provision, the death benefit selection, if desired, must be elected annually along with a beneficiary designation. When the death benefit is not selected, then that year's contributions are distributed equally among the other annuity accounts. Since the existing provision allows participants to select different options and different beneficiaries each year, it would be a very complex provision to administer.

Honorable Fran Ulmer


-2-

March 7, 1988

Another suggestion you may wish to consider is to allow the participant to begin receiving an annuity anytime on or after age 65. The language does not seem to require that a participant draw benefits at age 65; therefore the participant could elect to begin receiving an annuity anytime thereafter upon making application. The lack of a maximum age for benefit payments will not make the program more difficult to administer.

If you have any questions, please let me know.

Sincerely,


John M. Andrews
Commissioner

JMA/CJS/cam/9
Enclosure

PROPOSED CHANGES TO CSCSSB 56 (STATE AFFAIRS)

Add new sections.

* Sec. ____ AS 43.23.110(c) is repealed.

* Sec. ____ AS 43.23.110(d) is amended to read:

(d) The legislature may annually appropriate from the annuity investment fund an amount sufficient to administer the annuity program. [ANY COSTS OF ADMINISTRATION FUNDED UNDER THE SUBSECTION] The earnings of the annuity investment fund shall be allocated equitably among all individual annuity accounts and the reserve for established annuities.

* Sec. ____ AS 43.23.130(b) is amended to read:

(b) An annuity under this section is a monthly payment based upon the principal and accrued interest in the person's annuity account. Upon appointment to receive an annuity, the account balance of the annuitant will be transferred to the Annuity Reserve Account within the annuity investment fund. ~~The [AN] annuity shall be paid from the Annuity Reserve Account as a straight life annuity or other payment plan authorized by the commissioner of the Department of Administration. The size of the annuity may not vary on account of the individual's sex.~~ New - ?

Replace section 4 with the following:

* Sec. 4. AS 43.23.130(e) is repealed and reenacted to read: ~~_____~~

(e) If a person elects to credit a permanent fund dividend(s) or make a cash contribution(s) to an annuity account and dies before age 65, a lump sum payment shall be made to that person's designated beneficiary or beneficiaries. The person may change or revoke a designation without notice to the beneficiary or beneficiaries at any time. If a person designates more than one beneficiary, each shares equally unless the person specifies a different allocation or preference. The designation of a beneficiary, a change or revocation of beneficiary, shall be made on a form provided by the commissioner and is not effective until it is filed with the commissioner. If there is no beneficiary designated or surviving, the lump sum payment shall be paid (1) to the surviving spouse or, if there is none surviving, (2) to the surviving children, including adopted children, in equal parts or, if there are none surviving, (3) to the surviving parents in equal parts or, if there are none surviving, (4) to the annuity investment fund. The lump sum payment includes all dividends or cash contributions credited to the person's annuity account and interest earned on the annuity account.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

P.O. BOX CR
JUNEAU, ALASKA 99811-0203
PHONE: (907)465-4460

701 East Tudor Road, Suite 240
Anchorage, AK 99503
Phone: (907) 563-5885

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

STEVE COWPER, GOVERNOR

March 25, 1988

Ms. Martha Stewart, Committee Assistant
House Finance Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Ms. Stewart:

Following is the recommended language on Section 2 of SB 56 per our discussion:

Line 25, page 1 Delete last sentence and insert the following:

A cash contribution made in lieu of a permanent fund dividend annuity credit must be credited or contributed to an annuity account prior to September 30 of the year following that permanent fund dividend eligibility and may not exceed the amount of that permanent fund dividend.

Sincerely,


for Robert F. Stalnaker
Acting Director

RFS/MBC/cam/1



Official Business

Alaska State Legislature

House



P.O. BOX V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

M E M O R A N D U M

TO: House State Affairs Committee

FROM: Representative Fran Ulmer, Chair
House State Affairs

RE: House CS For CSSB 56 (2d SA) Work Draft

DATE: March 7, 1988

The attached work draft makes several changes to HCS CSSB 56(SA) which are summarized below:

1) Section 4, Page 2, Lines 20-23

This section is amended to change beneficiary designation.

2) Section 5, Page 3, Lines 5-8

After the word "commissioner" is added: A individual who has made a withdrawal under this section may not elect to credit a dividend or make a cash contribution to an annuity account for two years after the withdrawal.

This amendment was offered by Senator Kerttula and is ~~designed to protect contributions to the annuity accounts~~ from federal taxation. It appears to remove control over the annuity account from the individual for whose benefit the account is established.

3) Section 6, Page 3

- Longevity Bonus = \$250 [\$225]
- Cut off date for grandfathered group is 1/1/89
- Straight life annuity now equals the amount a person would receive if that person became 65 on 1/2/89, contributed 100 percent of all permanent fund dividends or cash to the annuity program for every year thereafter.

4) Section 7, Pages 3 and 4

Shows the monthly bonus payment for each fiscal year. Bonus amounts are based on the annuity program beginning in FY 90.



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 20, 1988

MEMORANDUM

TO: Representative Fran Ulmer

ATTN: Dennis Burns

FROM: Karen Oakley *KO*
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under
Senate Bill 56
Research Request 88.127 (Supplemental Information)

You asked us to provide projections of the annuity and bonus amounts if the program starts one year later--in FY 90 instead of FY 89. Table 1 was revised to reflect this change and is attached.

Attachment

TABLE 1 (Revised January 20, 1988)
 MONTHLY ANNUITY PAYMENTS POSSIBLE FROM INVESTMENT OF
 PERMANENT FUND DIVIDENDS IN AN ANNUITY

No Change in the Permanent Fund Dividend Program

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year	Person Turning 65 on 1-2-89					
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1990	\$882.47	\$942.04			\$942.04			
1991	873.21	1,958.97	\$9.30	\$240.70	932.15	\$9.68	\$9.68	\$240.32
1992	868.57	3,062.48	19.34	230.66	927.20	9.78	19.46	230.54
1993	933.24	4,334.33	30.24	219.76	996.23	9.95	29.41	220.59
1994	995.21	5,786.81	42.79	207.21	1,062.39	10.95	40.36	209.64
1995	1,060.84	7,440.07	57.13	192.87	1,132.45	11.99	52.35	197.65
1996	1,130.01	9,315.96	73.46	176.54	1,206.29	13.14	65.49	184.51
1997	1,202.53	11,438.10	91.98	158.02	1,283.70	14.41	79.89	170.11
1998	1,277.59	13,831.36	112.93	137.07	1,363.83	15.80	95.69	154.31
1999	1,355.50	16,523.17	136.56	113.44	1,447.00	17.35	113.05	136.95
2000	1,436.37	19,543.59	163.13	86.87	1,533.32	19.06	132.10	117.90
2001	1,520.30	22,925.43	192.95	57.05	1,622.92	20.95	153.05	96.95
2002	1,607.60	26,704.83	226.34	23.66	1,716.11	23.06	176.11	73.89
2003	1,698.05	30,920.93	263.66	0.00	1,812.67	25.38	201.49	48.51
2004	1,791.94	35,616.71	305.28	0.00	1,912.90	27.93	229.42	20.58
2005	1,892.84	40,842.82	351.64	0.00	2,020.61	30.65	260.07	0.00

Estimates of monthly annuity payments based on Alaska Permanent Fund Dividend Corporation projections of dividend payment (January 19, 1988 projections) and an interest rate of 9 percent.

Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, January 1988 (87-127S; 100287-15).



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

January 25, 1988

MEMORANDUM

TO: Representative Fran Ulmer

ATTN: Dennis Burns

FROM: Karen Oakley *ko*
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under SB 56
Research Request 88.127 (Supplemental Information)

You asked us to provide projections of the cost of the Longevity Bonus Program under the proposed modification of CSSB 56. Table 2 presents the annual and cumulative costs of this modification. In Figures 1 and 2, the annual and cumulative costs of the modification are compared to the costs of the current program.

If you need any additional information, please let me know.

Attachments

TABLE 2
LONGEVITY BONUS PROGRAM COST ANALYSIS
CSSB 56

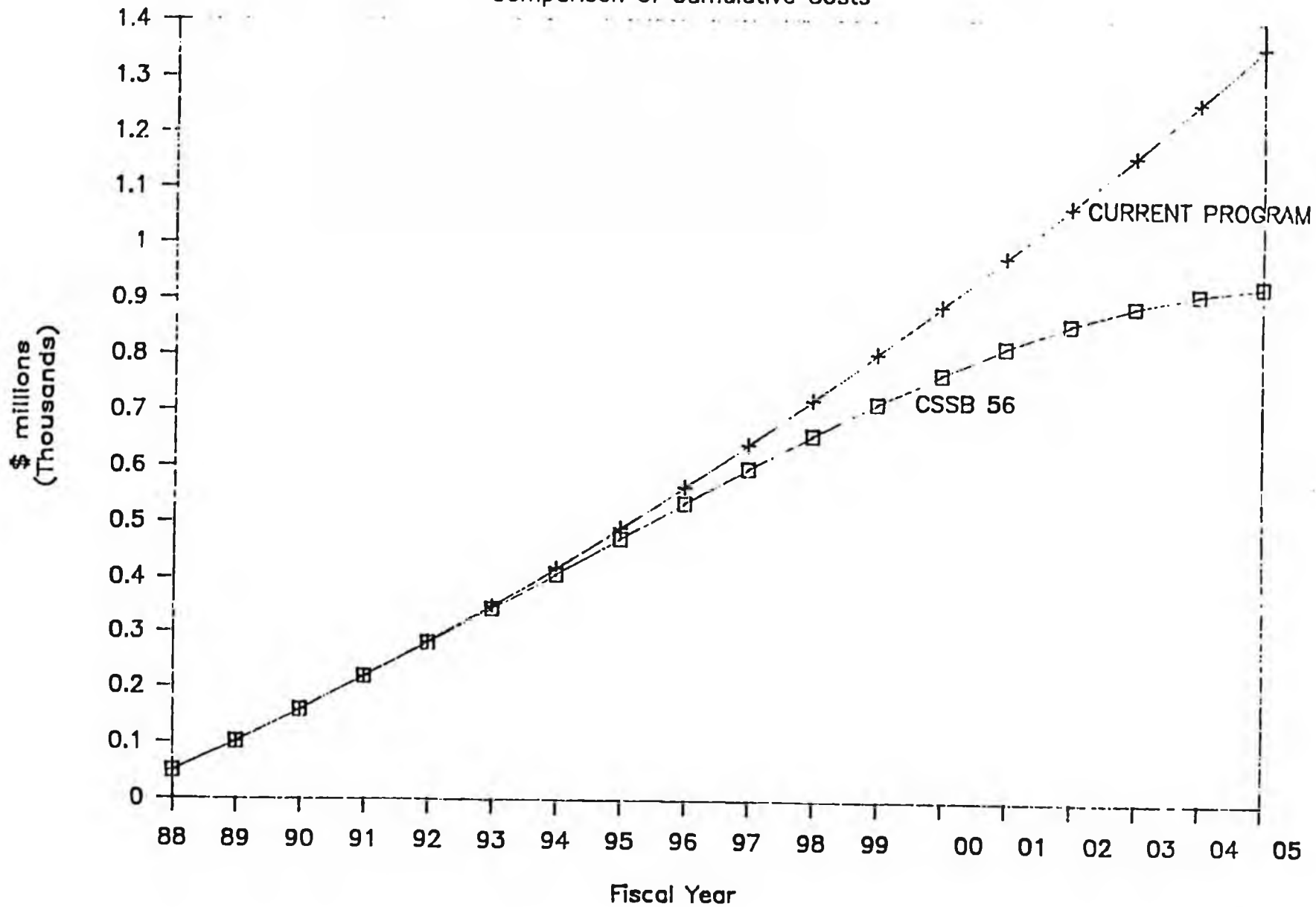
Year	TOTAL PROGRAM COST (millions)		Age 65 by Jan. 1, 1989			Age 65 after Jan. 1, 1989		
	Annual	Cumulative	Number of Recipients	Monthly Bonus	Cost (millions)	Number of Recipients	Monthly Bonus	Cost (millions)
1988	49.9	49.9	16,622	250	49.9			
1989	52.6	102.5	15,680	250	47.0	1,862	250	5.6
1990	57.2	159.7	15,333	250	46.0	3,731	250	11.2
1991	59.6	219.3	14,588	250	43.8	5,489	240	15.8
1992	61.4	280.7	13,848	250	41.5	7,172	231	19.8
1993	62.9	343.6	13,114	250	39.3	8,902	221	23.6
1994	63.6	407.2	12,384	250	37.2	10,533	210	26.5
1995	64.2	471.4	11,660	250	35.0	12,303	198	29.2
1996	63.7	535.0	10,941	250	32.8	13,928	185	30.8
1997	62.1	597.2	10,227	250	30.7	15,405	170	31.4
1998	60.1	657.2	9,519	250	28.6	17,021	154	31.5
1999	56.9	714.2	8,820	250	26.5	18,550	137	30.5
2000	52.9	767.1	8,135	250	24.4	20,130	118	28.5
2001	47.6	814.7	7,466	250	22.4	21,685	97	25.2
2002	41.1	855.8	6,815	250	20.4	23,260	74	20.6
2003	33.0	888.8	6,186	250	18.6	24,844	49	14.5
2004	23.3	912.1	5,580	250	16.7	26,434	21	6.5
2005	15.0	927.1	5,003	250	15.0	28,205	0	0.0

Prepared by the House Research Agency, January 1988, (88.127S2;100287-15).

Figure 2

ALASKA LONGEVITY BONUS

Comparison of Cumulative Costs

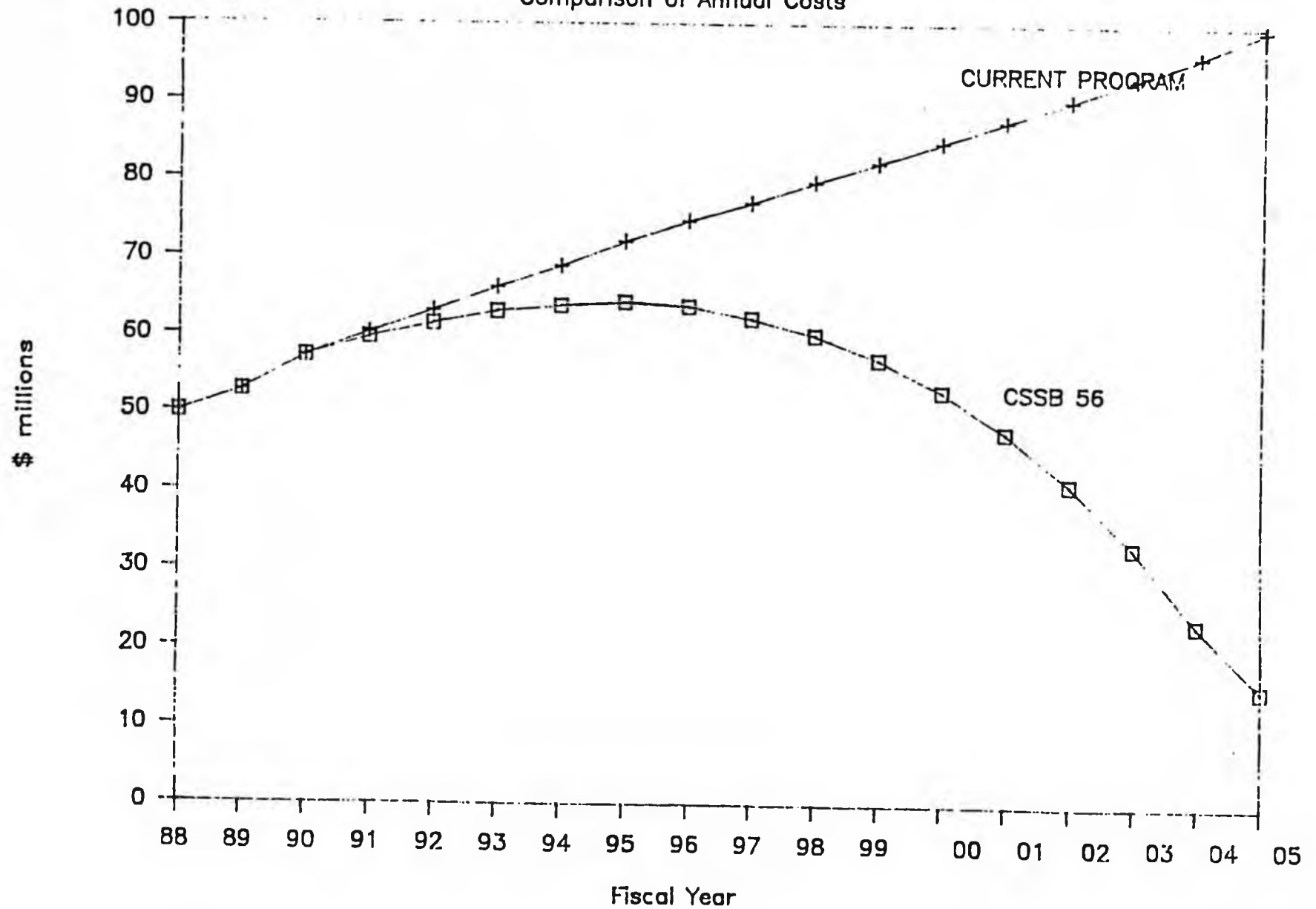


Prepared by the House Research Agency, January, 1988.

Figure 1

ALASKA LONGEVITY BONUS

Comparison of Annual Costs



Prepared by the House Research Agency, January 1988.

I. CURRENT LONGEVITY BONUS PROGRAM

The Longevity Bonus (ALB) program, initiated in 1972, gave \$100 a month to all residents 65 and older who had lived in Alaska since before statehood in 1959 - only those senior Alaskans with 25 years of continuous residency were eligible receive the bonus.

In 1984, the 25-year residency requirement was found unconstitutional and the legislature reduced the requirement to one year. As a result, the ALB became available to more Alaska seniors and the cost of providing the bonus greatly increased. As noted above, the ALB was originally \$100; however, increases over the years raised the amount to \$250. Almost 17,000 senior Alaskans are currently eligible to receive the ALB at an annual cost of over \$50 million dollars.

ALB Costs and Elderly Population Growth

Tables 1 and 2 summarize present and projected costs of the present ALB. Table 3 compares the ALB with other senior programs. Table 4 and Figure 1 provide an overview of elderly population growth in Alaska.

Table 1

Selected fiscal year appropriations, bonus amounts and recipients.

<u>FY</u>	<u>TOTAL APPROPRIATED</u>	<u>ABL</u>	<u>AVERAGE QUALIFIED RECIPIENTS</u>
88	\$50,889,000	\$250	16,930 ¹
80	\$13,607,600	\$150/\$200 ²	8,243
73	\$ 4,000,000	\$100	3,641

.....
1 number of seniors eligible to receive the ALB in FY 88

2 the increase to \$200 effective FY81

Table 2

Estimated annual and cumulative costs (millions)
of the current ALB program to the year 2005.

<u>Fiscal Year</u>	<u>Annual Costs</u>
1989	52.7
1990	55.6
1991	58.2
1992	60.7
1993	63.4
1994	65.9
1995	68.8
1996	71.4
1997	73.6
1998	76.1
1999	78.5
2000	81.1
2001	83.6
2002	86.2
2003	88.9
2004	91.6
2005	94.9
Cumulative Total:	<u>\$1,301</u>

Table 3

A comparison of FY 88 appropriations for
senior programs in Alaska (\$ Thousands).

<u>Department</u>	<u>FY 88</u>
Administration	
Longevity Bonus	\$50,889.8
Pioneer Homes	18,400.6
OAC	3,695.1
Community and Regional Affairs	
Homeowner's Property Tax Exemption	2,866.3
Renter's Equivalency Rebate	221.3
Health & Social Services	
APA-Payments to the Aged	7,221.8
OAA-LB Hold Harmless	4,068.1
Personal Care Attendants	764.5
Home Health	793.5
Public Health Nursing	435.6
Adult Homemaker Services	893.2
Medicaid	11,756.9
Maniilaq Senior Center	868.3
Maniilaq Homemaker Service	99.7
Norton Sound Homemaker	149.2
Total:	<u>103,123.9</u>

FORMULA PROGRAMS

- LONGEVITY BONUS

FY 89 Increment: \$2,371.0 GF.

The department plans to fund the costs of this program under provisions of current statutes. As currently mandated in AS 47.45, eligible recipients are to be paid \$250 per month.

The number of longevity bonus recipients varies from month to month depending upon relocation, death, incarceration, and attaining eligible status. The increment reflects a projected increase of 800 in the average number of monthly recipients during FY 89. These projections are based upon FY 87 actuals, on FY 88 projections, and on the current economic environment. ✓

shall notify all recipients of public assistance of the effects of 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. 43.23.095. Definitions.

Revisor's notes. — Section 15, ch. 99, SLA 1985, amends (6) of this section. The amendment is effective if § 1, ch. 99, SLA 1985 is repealed (see § 25, ch. 99, SLA 1985). If the amendment becomes law, the paragraph will read: "(6) 'permanent fund dividend' means a credit to an annuity account or a cash payment under this chapter;"

In addition, § 16, ch. 99, SLA 1985, also effective upon the repeal of § 1, ch. 99, SLA 1985, enacts AS 43.23.110 — 43.23.130. If § 16, ch. 99, SLA 1985 becomes law, the new sections will read:

"Article 2. Annuity Program.

"Sec. 43.23.110. Annuity investment fund. (a) The annuity investment fund is established as a separate fund in the state treasury. The annuity investment fund consists of money transferred from the dividend fund and income earned by the annuity investment fund. Notwithstanding AS 37.13.145, an amount equal to the permanent fund dividends taken as annuity credits under this chapter shall be annually transferred from the dividend fund to the annuity investment fund.

"(b) 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 the net income of the annuity investment fund to the individual annuity accounts.

"(c) The legislature may annually appropriate to the Department of Administration an amount sufficient to pay monthly annuity payments for the subse-

quent fiscal year under AS 43.23.130 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.

"(d) 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 allocated equitably among all individual annuity accounts.

"(e) Notwithstanding AS 39.35.110 or (b) of this section, the commissioner of revenue may invest all or part of the annuity investment fund in commercial insurance contracts 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.

"Sec. 43.23.120. 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 43.23.130.

"Sec. 43.23.130. 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 based upon the princi-

pal and annuity as a strament plaisioner of tion. The on account

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Section 151. Notice tax

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pal and accrued interest in the person's annuity account. An annuity shall be paid as a straight life annuity or other payment plan authorized by the commissioner of the Department of Administration. The size of the annuity may not vary on account of the individual's sex.

surviving spouse by right of survivorship unless a different beneficiary was designated. When no spouse survives and no beneficiary is designated, the lump sum shall be paid to the decedent's estate. The lump sum payment includes all dividends credited to the person's annuity account in years in which death benefits were selected and interest on those dividends. Dividends credited to a person's annuity account in years for which death benefits were not selected and interest on those dividends shall, if the person dies before age 65, be distributed equitably among the annuity accounts of all individuals for which death benefits were not selected.

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

"(d) Except as provided in (b) and (e) of this section, an annuity account may not be assigned, sold, or otherwise transferred from one individual to another.

"(f) 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."

"(e) If a person elects to credit a permanent fund dividend to an annuity account in a particular year, that person may make an irrevocable choice regarding death benefits with respect to that credit. If a person dies before age 65 and that person has selected death benefits in at least one year, a lump sum payment shall, subject to appropriation, be paid to the

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Chapter 25. Alaska Industrial Incentive Act.

[Repealed, § 63 ch 37 SLA 1986.]

Chapter 26. Industrial Incentive Tax Credits.

[Repealed, § 64 ch 37 SLA 1986.]

Chapter 31. Alaska Estate Tax.

Section

151. Notice of deficiency in federal estate tax

Sec. 43.31.151. Notice of deficiency in federal estate tax. It is the duty of the executor to file with the department within 60 days after a final determination of a deficiency in federal estate tax has been made, written notice of the deficiency. If, based upon this deficiency and the ground for it, it appears that the amount of tax previously paid is less than the amount of tax owing, the difference together with interest at the rate of seven percent a year from the due date of the tax shall be paid upon notice and demand by the department. If the executor fails to give the notice required by this section, any additional tax owing may be assessed, or a proceeding in court for the collection of the tax may be begun without assessment at any time before the filing of notice or within 30 days after the delinquent filing

Original sponsors: Kerttula, Halford,
Fischer and Uehling

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

5 A BILL
6 For an Act entitled: "An Act amending and making effective an annuity
7 program and amendments to the longevity bonus program
8 and the permanent fund dividend program provided for
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for
10 an effective date."

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

12 * Section 1. AS 43.23.110(a) is amended to read:

13 (a) The annuity investment fund is established as a separate
14 fund in the state treasury. The annuity investment fund consists of
15 money transferred from the dividend fund, cash contributions under
16 AS 43.23.125, and income earned by the annuity investment fund.
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
18 dividends taken as annuity credits under this chapter shall be annual-
19 ly transferred from the dividend fund to the annuity investment fund.

20 * Sec. 2. AS 43.23 is amended by adding a new section to read:

21 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
22 ble to receive the permanent fund dividend as an annuity credit under
23 AS 43.23.005(d) but does not elect to do so or who elects to receive
24 only a portion of the permanent fund dividend as an annuity credit may
25 make a cash contribution to that individual's annuity account. The
26 total amount credited and contributed to an annuity account in a year
27 may not exceed the amount of the permanent fund dividend for that
28 year.

29 * Sec. 3. AS 43.23.130(a) is amended to read:

1 (a) An individual with one or more annuity credits or cash
2 contributions under AS 43.23.125 may receive an annuity upon reaching
3 the age of 65.

4 * Sec. 4. AS 43.23.130(e) is amended to read:

5 (e) If a person elects to credit a permanent fund dividend or
6 make a cash contribution to an annuity account in a particular year,
7 that person may make an irrevocable choice regarding death benefits
8 with respect to that credit or contribution. If a person dies before
9 age 65 and that person has selected death benefits in at least one
10 year, a lump sum payment shall, subject to appropriation, be paid to
11 the surviving spouse by right of survivorship unless a different
12 beneficiary was designated. When no spouse survives and no benefi-
13 ciary is designated, the lump sum shall be paid to the decedent's
14 estate. The lump sum payment includes all dividends credited to
15 the person's annuity account in years in which death benefits were
16 selected and interest on those dividends. Dividends credited and cash
17 contributed to a person's annuity account in years for which death
18 benefits were not selected and interest on those dividends and con-
19 tributions shall, if the person dies before age 65, be distributed
20 in accordance with AS 13.06 - AS 13.36 (Uniform Probate Code) and
21 AS 13.43 (Uniform Simultaneous Death Act) [EQUITABLY AMONG THE ANNUI-
22 TY ACCOUNTS OF ALL INDIVIDUALS FOR WHICH DEATH BENEFITS WERE NOT
23 SELECTED].

24 * Sec. 5. AS 43.23 is amended by adding a new section to read:

25 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
26 withdrawal from that individual's annuity account before reaching the
27 age of 65 if the individual establishes to the satisfaction of the
28 commissioner that the withdrawal is necessary to meet an unforeseeable
29 emergency. The amount withdrawn may not exceed the total amount in

1 the individual's annuity account or the amount actually necessary to
2 meet the emergency, whichever is less. The commissioner shall define
3 the term "unforeseeable emergency" by regulation. An individual may
4 only make one withdrawal under this section and may pay it back with
5 interest under terms established by the commissioner. An individual
6 who has made a withdrawal under this section may not elect to credit a
7 dividend or make a cash contribution to an annuity account for two
8 years after the withdrawal.

9 * Sec. 6. AS 47.45.015(a) is amended to read:

10 (a) Except as provided in (b) and (c) of this section, the
11 monthly longevity bonus is equal to \$250, minus the maximum possible
12 straight life annuity [FOR A PERSON 65 YEARS OF AGE] under the annuity
13 program (AS 43.23.110 - 43.23.130), as determined by the commissioner
14 of administration. The maximum possible straight life annuity equals
15 the amount a person would receive if that person became 65 on Janu-
16 ary 2, 1989, and contributed 100 percent of all permanent fund divi-
17 dends or the cash equivalency to the annuity program for every year
18 after December 31, 1988. However, for purposes of this section the
19 maximum possible straight life annuity may not exceed the amount that
20 a person turning 65 in the current year would receive if that person
21 had contributed 100 percent of all permanent fund dividends or the
22 cash equivalency to the annuity program for every year after Decem-
23 ber 31, 1988.

24 * Sec. 7. AS 47.45.015 is amended by adding a new subsection to read:

25 (c) Notwithstanding (a) of this section, the monthly longevity
26 bonus in a fiscal year for a person who is 65 years of age after
27 January 1, 1989, may not exceed

28 (1) \$240.32 in fiscal year 1991;

29 (2) \$230.54 in fiscal year 1992;

- 1 (3) \$220.59 in fiscal year 1993;
- 2 (4) \$209.64 in fiscal year 1994;
- 3 (5) \$197.65 in fiscal year 1995;
- 4 (6) \$184.51 in fiscal year 1996;
- 5 (7) \$170.11 in fiscal year 1997;
- 6 (8) \$154.31 in fiscal year 1998;
- 7 (9) \$136.95 in fiscal year 1999;
- 8 (10) \$117.90 in fiscal year 2000;
- 9 (11) \$96.95 in fiscal year 2001;
- 10 (12) \$73.89 in fiscal year 2002;
- 11 (13) \$48.51 in fiscal year 2003;
- 12 (14) \$20.58 in fiscal year 2004; and
- 13 (15) \$00.00 after fiscal year 2004.

14 * Sec. 8. Section 1, ch. 99, SLA 1985, is repealed.

15 * Sec. 9. Chapter 99, SLA 1985, and secs. 1 - 6 of this Act apply only
16 to permanent fund dividends for years beginning after December 31, 1988.
17 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and
18 this Act, permanent fund dividends for 1988 and prior years shall be made
19 under the law as it existed before the effective date of this Act.

20 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Kerttula, Halford
and Fischer

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

5 A BILL
6 For an Act entitled: "An Act amending and making effective an annuity
7 program and amendments to the longevity bonus program
8 and the permanent fund dividend program provided for
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for
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14 fund in the state treasury. The annuity investment fund consists of
15 money transferred from the dividend fund, cash contributions under
16 AS 43.23.125, and income earned by the annuity investment fund.
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
18 dividends taken as annuity credits under this chapter shall be annual-
19 ly transferred from the dividend fund to the annuity investment fund.

20 * Sec. 2. AS 43.23 is amended by adding a new section to read:

21 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
22 ble to receive the permanent fund dividend as an annuity credit under
23 AS 43.23.005(d) but does not elect to do so or who elects to receive
24 only a portion of the permanent fund dividend as an annuity credit may
25 make a cash contribution to that individual's annuity account. The
26 total amount credited and contributed to an annuity account in a year
27 may not exceed the amount of the permanent fund dividend for that
28 year.

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2 contributions under AS 43.23.125 may receive an annuity upon reaching
3 the age of 65.

4 * Sec. 4. AS 43.23.130(e) is amended to read:

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

22 * Sec. 5. AS 43.23 is amended by adding a new section to read:

23 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
24 withdrawal from that individual's annuity account before reaching the
25 age of 65 if the individual establishes to the satisfaction of the
26 commissioner that the withdrawal is necessary to meet an unforeseeable
27 emergency. The amount withdrawn may not exceed the total amount in
28 the individual's annuity account or the amount actually necessary to
29 meet the emergency, whichever is less. The commissioner shall define

1 the term "unforeseeable emergency" by regulation. An individual may
2 only make one withdrawal under this section and may pay it back with
3 interest under terms established by the commissioner.

4 * Sec. 6. AS 47.45.015(a) is amended to read:

5 (a) Except as provided in (b) and (c) of this section, the
6 monthly longevity bonus is equal to \$225 [\$250], minus the maximum
7 possible straight life annuity [FOR A PERSON 65 YEARS OF AGE] under
8 the annuity program (AS 43.23.110 - 43.23.130), as determined by the
9 commissioner of administration. The maximum possible straight life
10 annuity equals the amount a person would receive if that person became
11 65 on January 2, 1988, and contributed 100 percent of all permanent
12 fund dividends or the cash equivalency to the annuity program for
13 every year after December 31, 1987. However, for purposes of this
14 section the maximum possible straight life annuity may not exceed the
15 amount that a person turning 65 in the current year would receive if
16 that person had contributed 100 percent of all permanent fund divi-
17 dends or the cash equivalency to the annuity program for every year
18 after December 31, 1987.

19 * Sec. 7. AS 47.45.015 is amended by adding a new subsection to read:

20 (c) Notwithstanding (a) of this section, the monthly longevity
21 bonus in a fiscal year for a person who is 65 years of age after
22 January 1, 1988, may not exceed the monthly longevity bonus amount for
23 that fiscal year set out in case B, table 1, of the Alaska State
24 Legislature, House of Representatives, Research Agency memorandum
25 dated May 15, 1987, entitled "Projected Costs of the Longevity Bonus
26 Program Under Senate Bill 56; Research Request 87.303 (Supplemental
27 Information)."

28 * Sec. 8. Section 1, ch. 99, SLA 1985, is repealed.

29 * Sec. 9. Chapter 99, SLA 1985, and secs. 1 - 6 of this Act apply only

1 to permanent fund dividends for years beginning after December 31, 1987.
2 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and
3 this Act, permanent fund dividends for 1987 and prior years shall be made
4 under the law as it existed before the effective date of this Act.
5 * Sec. 10. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Kerttula, Halford
and Fischer

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 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending and making effective an annuity
7 program and amendments to the longevity bonus program
8 and the permanent fund dividend program provided for
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for
10 an effective date."

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

12 * Section 1. AS 43.23.110(a) is amended to read:

13 (a) The annuity investment fund is established as a separate
14 fund in the state treasury. The annuity investment fund consists of
15 money transferred from the dividend fund, cash contributions under
16 AS 43.23.125, and income earned by the annuity investment fund.
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
18 dividends taken as annuity credits under this chapter shall be annual-
19 ly transferred from the dividend fund to the annuity investment fund.

20 * Sec. 2. AS 43.23 is amended by adding a new section to read:

21 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
22 ble to receive the permanent fund dividend as an annuity credit under
23 AS 43.23.005(d) but does not elect to do so or who elects to receive
24 only a portion of the permanent fund dividend as an annuity credit may
25 make a cash contribution to that individual's annuity account. The
26 total amount credited and contributed to an annuity account in a year
27 may not exceed the amount of the permanent fund dividend for that
28 year.

29 * Sec. 3. AS 43.23.130(a) is amended to read:

1 (a) An individual with one or more annuity credits or cash
2 contributions under AS 43.23.125 may receive an annuity upon reaching
3 the age of 65.

4 * Sec. 4. AS 43.23.130(e) is amended to read:

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

22 * Sec. 5. AS 43.23 is amended by adding a new section to read:

23 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
24 withdrawal from that individual's annuity account before reaching the
25 age of 65 if the individual establishes to the satisfaction of the
26 commissioner that the withdrawal is necessary to meet an unforeseeable
27 emergency. The amount withdrawn may not exceed the total amount in
28 the individual's annuity account or the amount actually necessary to
29 meet the emergency, whichever is less. The commissioner shall define

1 the term "unforeseeable emergency" by regulation. An individual may
2 only make one withdrawal under this section and may pay it back with
3 interest under terms established by the commissioner.

4 * Sec. 6. AS 47.45.015(a) is amended to read:

5 (a) Except as provided in (b) of this section, the monthly
6 longevity bonus is equal to \$250, minus the maximum possible straight
7 life annuity [FOR A PERSON 65 YEARS OF AGE] under the annuity program
8 (AS 43.23.110 - 43.23.130), as determined by the commissioner of
9 administration. The maximum possible straight life annuity equals the
10 amount a person would receive if that person became 65 on January 2,
11 1988, and contributed 100 percent of all permanent fund dividends or
12 the cash equivalency to the annuity program for every year after
13 December 31, 1987. However, for purposes of this section the maximum
14 possible straight life annuity may not exceed the amount that a person
15 turning 65 in the current year would receive if that person had
16 contributed 100 percent of all permanent fund dividends or the cash
17 equivalency to the annuity program for every year after December 31,
18 1987.

19 * Sec. 7. Section 1, ch. 99, SLA 1985, is repealed.

20 * Sec. 8. Chapter 99, SLA 1985, and secs. 1 - 6 of this Act apply only
21 to permanent fund dividends for years beginning after December 31, 1987.
22 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and
23 this Act, permanent fund dividends for 1987 and prior years shall be made
24 under the law as it existed before the effective date of this Act.

25 * Sec. 9. This Act takes effect immediately under AS 01.10.070(c).

Offered: 3/3/87
Referred: Health, Education and
Social Services, Judiciary
and Finance

5-0363B

Original sponsors: Kerttula, Halford
and Fischer

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

5 A BILL

6 For an Act entitled: "An Act amending and making effective an annuity
7 program and amendments to the longevity bonus program
8 and the permanent fund dividend program provided for
9 in secs. 2 - 18, ch. 99, SLA 1985; and providing for
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14 fund in the state treasury. The annuity investment fund consists of
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16 AS 43.23.125, and income earned by the annuity investment fund.
17 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
18 dividends taken as annuity credits under this chapter shall be annual-
19 ly transferred from the dividend fund to the annuity investment fund.

20 * Sec. 2. AS 43.23 is amended by adding a new section to read:

21 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
22 ble to receive the permanent fund dividend as an annuity credit under
23 AS 43.23.005(d) but does not elect to do so or who elects to receive
24 only a portion of the permanent fund dividend as an annuity credit may
25 make a cash contribution to that individual's annuity account. The
26 total amount credited and contributed to an annuity account in a year
27 may not exceed the amount of the permanent fund dividend for that
28 year.

29 * Sec. 3. AS 43.23.130(a) is amended to read:

1 (a) An individual with one or more annuity credits or cash
2 contributions under AS 43.23.125 may receive an annuity upon reaching
3 the age of 65.

4 * Sec. 4. AS 43.23.130(e) is amended to read:

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

22 * Sec. 5. AS 43.23 is amended by adding a new section to read:

23 Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a
24 withdrawal from that individual's annuity account before reaching the
25 age of 65 if the individual establishes to the satisfaction of the
26 commissioner that the withdrawal is necessary to meet an unforeseeable
27 emergency. The amount withdrawn may not exceed the total amount in
28 the individual's annuity account or the amount actually necessary to
29 meet the emergency, whichever is less. The commissioner shall define

1 the term "unforeseeable emergency" by regulation. An individual may
2 only make one withdrawal under this section and may pay it back with
3 interest under terms established by the commissioner.

4 * Sec. 6. Section 1, ch. 99, SLA 1985, is repealed.

5 * Sec. 7. Chapter 99, SLA 1985, and secs. 1 - 5 of this Act apply only
6 to permanent fund dividends for years beginning after December 31, 1987.
7 Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and
8 this Act, permanent fund dividends for 1987 and prior years shall be made
9 under the law as it existed before the effective date of this Act.

10 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

Introduced: 1/19/87
Referred: Health, Education and
Social Services, Judiciary
and Finance

5-0363A

1 IN THE SENATE

BY KERTTULA, HALFORD,
AND FISCHER

2

SENATE BILL NO. 56

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making effective an annuity program and
7 amendments to the longevity bonus program and the
8 permanent fund dividend program provided for in secs.
9 2 - 18, ch. 99, SLA 1985; and providing for an effec-
10 tive date."

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

12 * Section 1. Section 1, ch. 99, SLA 1985, is repealed.

13 * Sec. 2. Chapter 99, SLA 1985, applies only to permanent fund
14 dividends for years beginning after December 31, 1987. Notwithstanding the
15 amendments to AS 43.23 made by ch. 99, SLA 1985, permanent fund dividends
16 for 1987 and prior years shall be made under the law as it existed before
17 the effective date of this Act.

18 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).