

SB

57

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 57  
Publish Date: \_\_\_\_\_

REQUEST \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Relating to Longevity Bonus

Agency Affected: Administration  
BRU: Longevity Bonus

Sponsor: Duncan  
Requestor: Senate State Affairs

Components: Administration, Grants

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	0	184.5	184.5	184.5	184.5	184.5
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	81.0	81.0	81.0	81.0	81.0
SUPPLIES	0	11.1	11.1	11.1	11.1	11.1
EQUIPMENT	0	20.0	4.0	4.0	4.0	4.0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	(300.0)	(800.0)	(1,600.0)	(2,800.0)
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	296.6	(19.4)	(519.4)	(1,319.4)	(2,519.4)
CAPITAL	0	750.0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	(300.0)	(800.0)	(1,600.0)	(2,800.0)
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	1,046.6	280.6	280.6	280.6	280.6
TOTAL	0	1,046.6	(19.4)	(519.4)	(1,319.4)	(2,519.4)

POSITIONS:

FULL-TIME	0	5	5	5	5	5
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** Attach a separate page if necessary SB 57 would implement the annuity program (Title 43, Chapter 23, Article 2). However, the program would be limited to those who are presently between the ages of 52 and 65. The Longevity Bonus Program would be eliminated in the year 2001. Both of these limits will reduce the general fund requirements. An estimate of the reductions is not available. The amounts shown on the Grants and Claims line reflect the general fund reductions if the annuity program is implemented without these amendments. The amounts are based on the differences in costs of the annuity program and the current law as shown in Appendix A of 1986 Ballot Measure No. 3, Questions and Answers About Proposed Longevity Bonus Alternatives prepared by the Division of Strategic Planning, September 1986.

Prepared By: Michael P. McMullen Phone: 465-2200  
Division: Commissioner's Office Date: 2/11/87

Approved by Commissioner: Garrey Peska Date: 2/11/87  
Agency: Department of Administration

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

CONTINUATION of FISCAL NOTE ANALYSIS

For SB 57

Funds for operating the program will come from the annuity investment fund (AS 43.23.110) as provided in AS 43.23.110(d).

We estimate that approximately four full-time employees will be needed to administer this program on a continuing basis. We estimate that a program supervisor and chief accountant will be needed with two other staff members.

We are basing this fiscal note on the assumption that the Department of Revenue will verify ages of those who elect to participate in the annuity program. This is critical.

We estimate that four positions are needed to administer this program:

Supervisor: Retirement and Benefits Specialist III  
Accountant: Accountant II  
Technician: Retirement and Benefits Technician I/II  
Clerk: Accounting Clerk III

We propose that a notification will be sent to all Alaska box holders to inform them of the provisions of the bill and to advise them of the contact persons or agencies. We estimate an annual cost of \$20.0 for independent audits. We also propose that there will be annual statements of account that will be sent to approximately 150,000 participants. This cost is estimated to be \$41.0.

We estimate that the annuity program will be fully automated to reduce the need for staff. We estimate that one-time system analysis, development, and construction costs would be \$750,000.

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

A zero inflation rate is assumed for this fiscal note.

## APPENDIX A

### General Fund Costs of Proposed Bonus Program Alternatives

-----millions of dollars-----

<u>Fiscal Year</u>	<u>Costs of House Proposal</u>	<u>Costs of Senate Annuity Proposal</u>	<u>Costs of Current Law</u>
1988	49.3	49.9	49.9
1989	47.7	52.4	52.7
1990	45.5	54.8	55.6
1991	43.3	56.6	58.2
1992	41.1	57.9	60.7
1993	38.9	58.9	63.4
1994	36.7	59.2	65.9
1995	34.6	59.2	68.8
1996	32.5	58.2	71.4
1997	30.3	56.1	73.6
1998	28.2	53.2	76.1
1999	26.1	49.1	78.5
2000	24.1	43.7	81.1
2001	22.1	36.8	83.6
2002	20.2	28.2	86.2
2003	18.3	18.3	88.9
2004	16.5	16.5	91.6
2005	14.8*	14.8*	94.9†

\*Annual general fund costs continue declining, and reach zero by about 2034.

†Annual general fund costs likely to continue increasing.

# Alaska State Legislature

SENATE ADVISORY COUNCIL



Pouch V  
State Capital  
Juneau, Alaska 99811  
Phone: (907) 465-3114

## MEMORANDUM

TO: Senator Mitch Abood  
Alaska State Senate

ATTN: Carol Horos

FROM: Paula d. Scavetta *PS*  
Researcher

DATE: January 26, 1987

RE: Longevity Bonus

Attached is the information you requested on longevity bonus. The first page is a simplified form on where longevity bonus is. The second is a status on the Vest vs. Alaska court case.

As soon as the other information is compiled I will forward it to you.

## WHERE ARE WE ON LONGEVITY BONUS?

The 14th Alaska Legislature considered two alternatives to the present longevity bonus program. Both were adopted, but neither will take effect unless the legislature repeals the other. The legislature asked for an advisory vote on the annuity option in the last general election and the vote was 99,222 for and 65,789 against.

## WHAT IS THE ANNUITY OPTION?

The annuity option that was voted on provides that every individual who reaches 65 by January 1, 1988 (and has one year residency) including those already receiving the bonus would receive a longevity bonus payment of \$250 per month. A person under age 65 on January 1, 1988 could participate in an optional annuity program by depositing all or part of his or her permanent fund dividends in an account held by the state. Upon reaching age 65, a person could receive a monthly payment in an amount determined by how much was contributed to the account. The annuity payments would be supplemented with a declining longevity bonus payment paid for with general funds.

## WHAT WAS THE OTHER ALTERNATIVE ADOPTED?

The other alternative provides that anyone who is 65 years old by January 1, 1988 and have one year residency will receive a longevity bonus. Therefore, if you are not 65 years of age by January 1, 1988 you would not receive the bonus.

## WHAT IF THE LEGISLATURE DOESN'T REPEAL EITHER ALTERNATIVE?

If the Legislature doesn't repeal either alternative the existing longevity bonus would continue. The existing program being that anyone 65 or older with one year residency shall receive \$ 250 per month bonus. The estimated cost for this is \$ 51 million in FY 88.

## VEST VS. ALASKA

The Alaska Supreme Court ruled in the case Vest vs. Alaska, that the residency requirements of the longevity bonus program violated the equal protection provisions of the Alaska and United States Constitutions. That was in 1984.

Within the next few weeks, Judge Carpeneti will rule on whether or not elderly Alaskans that were denied longevity bonuses because of residency requirements are entitled to retroactive longevity bonuses because the residency requirements of the original statute unconstitutionally discriminated against them.

If the state is ordered to pay retroactive longevity bonus payments, the real question is how far back would they have to go (that could be 10 years, 5 years, 1 year or anything in between). There is a chance that the judge could order no retroactive payments at all.

Every year that the state is ordered to issue retroactive payments could possibly result in about a \$15 million expenditure (assuming 5,000 individuals were made eligible by the reduction of the residency requirement, \$250 per month times 12 months for 5,000 individuals).

Oral arguments by the state and Mr. Vest's attorney's were presented to Judge Bud Carpeneti on June 10, 1986. Judge Carpeneti is late with his ruling; it has been over 6 months, so a ruling will be coming very shortly.

The attorney for the state is Deborah Vogt. 465-3500 She is located in the Attorney General's office on the 4th floor of the Capital Building and she has copies of all briefs.

The attorney for Mr. Vest is Henry Camarot of Camarot, Sandberg, Hunter and Smith in Anchorage.

# STATE OF ALASKA THE LEGISLATURE

STATE OF ALASKA  
LEGISLATIVE AGENCY  
1987-1988

## LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 6, 1987

SUBJECT: Sectional analysis of longevity bonus bill  
(Work Order No. 15-0189)

TO: Senator-elect Jim Duncan

FROM: Keith B. Levy *KBL*  
Legislative Counsel

You have requested a sectional analysis of Work Order No. 15-0189, relating to the longevity bonus. Generally, the bill makes effective the annuity program which was enacted by the legislature two years ago (ch. 99, SLA 1985). However, your bill makes some significant changes to the annuity program and the longevity bonus program, as described below.

Section 1 amends AS 43.23.005(d) by limiting the option to take the permanent fund dividend as an annuity credit to those individuals who turn 65 years of age on or before January 1, 2001. A person who turns 65 after that date, or who is already 65 on January 1, 1988, would be required to take the dividend as cash. Thus, the annuity program would be limited to those who are presently between the ages of 52 and 65.

Section 1 also removes the option to take a portion of the dividend in cash and a portion as an annuity credit, providing instead that the dividend must be taken either entirely in cash or entirely as an annuity credit. The reason for this change is that section 6 of the bill provides for the reduction of the longevity bonus by \$25 per month for each year in which a person qualifies for but does not select an annuity credit. Since that section does not anticipate taking a portion of the dividend as an annuity credit, it was necessary to require that the choice be all or nothing.

Sections 2, 3, and 4 are technical amendments, necessary to conform to the changes made in section 1 of the bill.

Senator-elect Duncan  
Page 2  
January 6, 1987

Section 5 amends AS 47.45.010 to provide that to be eligible for a longevity bonus, a person must be 65 years of age on or before January 1, 2001. People who turn 65 after that date would be ineligible for the bonus.

Section 6 amends AS 47.45.015 to provide that an individual's longevity bonus is reduced by \$25 per month for each year in which that person qualifies to take the permanent fund dividend as an annuity credit, but opts to take it in cash instead.

In the original draft of this bill prepared for your office, section 6 provided that the longevity bonus was reduced by \$25 per month for each year in which the individual "did not qualify for and select" an annuity credit. In a memo dated November 21, 1986, I indicated that such a requirement presents constitutional problems because it unfairly discriminates against those residents who qualify for the longevity bonus, but would receive a lower amount solely because they were not residents during the early years of the annuity program, and therefore could not select an annuity credit. The current draft of section 6 resolves that problem by providing that the longevity bonus is reduced only for those years in which an individual qualified for an annuity credit and did not select one. Thus, people would not be penalized for those years in which they were not residents and could not select an annuity credit.

However, a second problem mentioned in the November 21 memo is not resolved by the current draft. That is that the bill still distinguishes between those individuals who select an annuity credit and those that don't by lowering the longevity bonus of the latter group. Under the state and federal equal protection clauses, at least a rational basis must be shown for this distinction. The argument could at least be made that no such basis exists.

Section 7 repeals sec. 1, ch. 99, SLA 1985. The repeal of that section is necessary to make the annuity program, enacted by ch. 99, SLA 1985, effective (see sec. 25, ch. 99, SLA 1985).

Section 8 provides that the amendments to the permanent fund dividend program provided for in the bill apply beginning with the 1988 dividend.

Section 9 provides for an immediate effective date.

KBL:mkr  
m7/112

**Ballot Language For  
Advisory Vote on Longevity  
Bonus Annuity Program**

The Fourteenth Alaska State Legislature considered two alternatives to the present longevity bonus program. Both were adopted into law, but neither will take effect unless the legislature chooses one of them. The legislature has asked for an advisory vote of the public on the annuity option which is described below.

The annuity option provides that every individual who reaches age 65 by January 1, 1988, including those already receiving the bonus, would receive a longevity bonus payment of \$250 per month. In addition, a person under age 65 on January 1, 1988, could participate in an optional annuity program by depositing all or part of his or her permanent fund dividends in an account held by the state. Upon reaching age 65, a person would receive a monthly payment in an amount determined by how much was contributed to the account. The annuity payments would be supplemented with declining longevity bonus payments paid for with general funds until the annuity accounts were large enough to provide monthly payments of \$250 a month.

The second option provides that every individual who is 65 years old by January 1, 1988, including those already receiving the bonus, will receive a longevity bonus payment of \$250 per month, but that anybody younger than age 65 by January 1, 1988, would not be eligible for benefits.

Should the legislature adopt the annuity option?

YES ( )      NO ( )

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

2 (a) The commissioner shall adopt regulations under the Adminis-  
3 trative Procedure Act (AS 44.62) establishing the process for de-  
4 termining the eligibility of individuals for permanent fund dividends.  
5 The commissioner may require an individual to provide proof of eli-  
6 gibility, and the commissioner may use other information available  
7 from other state departments or agencies to determine the eligibility  
8 of an individual.

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

10 (b) The department shall prescribe and furnish an application  
11 form for claiming a permanent fund dividend. The application must  
12 contain a statement of eligibility and a certification of residency in  
13 substantially the following form:

14 I certify that

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

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

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

28

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\_\_\_\_\_  
(signature of individual, parent,

1       end.

2           (b) If the commissioner determines that a cash [PERMANENT FUND]  
3 dividend should not have been claimed by or paid to an individual, the  
4 commissioner may use all collection procedures or remedies available  
5 for collection of taxes under this title to recover the payment of a  
6 permanent fund dividend that was improperly made. A notice of an  
7 improperly paid dividend must be sent to the individual within 10  
8 years after the improper payment. If notice is not sent within the  
9 10-year period, proceedings may not be commenced in court for recovery  
10 of the improper payment.

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

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

20 \* Sec. 11. AS 43.23.055 is amended to read:

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

22           (1) annually make payments to individuals who elect to  
23 receive cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM  
24 THE DIVIDEND FUND];

25           (2) adopt regulations under the Administrative Procedure  
26 Act (AS 44.62) that establish procedures and time limits for claiming  
27 a permanent fund dividend or for electing an annuity credit; the de-  
28 partment shall set the time limit for applications for permanent fund  
29 dividends so that the number of eligible applicants is determined by

1 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-  
2 051 or 12.55.100. A child support obligation under (1) of this sec-  
3 tion has priority over a debt owed to an agency of the state, and a  
4 permanent fund dividend may not be taken to satisfy a debt under (2)  
5 of this section until any portion of the dividend necessary to satisfy  
6 a child support obligation has been taken.

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

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

13 (c) The courts of this state may, as a condition of any civil  
14 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-  
15 55.100, require the defendant to take the defendant's permanent fund  
16 dividend in cash.

17 \* Sec. 14. AS 43.23.075 is amended to read:

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

29 (b) An individual who is denied medical assistance under 42



## LAWS OF ALASKA

1985

Source

CCSSB 56

Chapter No.

99

### AN ACT

Relating to a longevity bonus; and providing for an effective date.

---

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 7, 1985

Actual Effective Date: Sections 2 - 18 take effect on the date that section 1 of this Act is repealed; section 1 takes effect on the date that sections 2 - 18 of this Act are repealed; sections 19 - 24 take effect June 8, 1985

Offered: 5/11/85

Original sponsors: Ray, Halford,  
Bennett, et al

1 IN THE SENATE BY THE 2d CONFERENCE COMMITTEE  
2 CONFERENCE CS FOR SENATE BILL NO. 56  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FOURTEENTH LEGISLATURE - FIRST SESSION  
5 A BILL

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

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

9 \* Section 1. AS 47.45.010(a) is amended to read:

10 (a) A person who is 65 years of age on or before January 1, 1988  
11 [OR OVER], who resides in the state for at least one year immediately  
12 preceding application for a longevity bonus under this chapter may  
13 apply to the commissioner of administration for qualification to  
14 receive a monthly bonus of \$250 upon reaching age 65.

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

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

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

21 (d) A person who is eligible to receive a permanent fund divi-  
22 dend under this section, or who is authorized to claim a dividend on  
23 behalf of another under (c) of this section, may elect to receive the  
24 dividend either in cash or as an annuity credit. Alternatively, a  
25 person may elect to receive 25 percent, 50 percent, or 75 percent of  
26 the dividend in cash and the remainder as an annuity credit. A person  
27 who is 65 years of age on or before January 1, 1988 may only receive  
28 the permanent fund dividend in cash and may not elect to receive  
29 an annuity credit.

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

2 (a) The commissioner shall adopt regulations under the Adminis-  
3 trative Procedure Act (AS 44.62) establishing the process for de-  
4 termining the eligibility of individuals for permanent fund dividends.  
5 The commissioner may require an individual to provide proof of eli-  
6 gibility, and the commissioner may use other information available  
7 from other state departments or agencies to determine the eligibility  
8 of an individual.

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

10 (b) The department shall prescribe and furnish an application  
11 form for claiming a permanent fund dividend. The application must  
12 contain a statement of eligibility and a certification of residency in  
13 substantially the following form:

14 I certify that

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

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

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

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\_\_\_\_\_  
(signature of individual, parent,

1 guardian, or other authorized  
2 representative)

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

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

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

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

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

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

22 \* Sec. 9. AS 43.23.035 is amended to read:

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

1       dend.

2           (b) If the commissioner determines that a cash [PERMANENT FUND]  
3 dividend should not have been claimed by or paid to an individual, the  
4 commissioner may use all collection procedures or remedies available  
5 for collection of taxes under this title to recover the payment of a  
6 permanent fund dividend that was improperly made. A notice of an  
7 improperly paid dividend must be sent to the individual within 10  
8 years after the improper payment. If notice is not sent within the  
9 10-year period, proceedings may not be commenced in court for recovery  
10 of the improper payment.

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

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

20 \* Sec. 11. AS 43.23.055 is amended to read:

21           Sec. 43.23.055. DUTIES OF THE DEPARTMENT. The department shall  
22           (1) annually make payments to individuals who elect to  
23 receive cash under AS 43.23.005(d) [PAY PERMANENT FUND DIVIDENDS FROM  
24 THE DIVIDEND FUND];

25           (2) adopt regulations under the Administrative Procedure  
26 Act (AS 44.62) that establish procedures and time limits for claiming  
27 a permanent fund dividend or for electing an annuity credit; the de-  
28 partment shall set the time limit for applications for permanent fund  
29 dividends so that the number of eligible applicants is determined by

1 October 1 of the year for which the dividend is declared and permanent  
2 fund dividends for a year are paid before April 30 of the year follow-  
3 ing that year;

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

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

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

17 \* Sec. 12. AS 43.23.065 is amended to read:

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

1 expired; or (3) court ordered restitution under AS 12.55.045 - 12.55.-  
2 051 or 12.55.100. A child support obligation under (1) of this sec-  
3 tion has priority over a debt owed to an agency of the state, and a  
4 permanent fund dividend may not be taken to satisfy a debt under (2)  
5 of this section until any portion of the dividend necessary to satisfy  
6 a child support obligation has been taken.

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

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

13 (c) The courts of this state may, as a condition of any civil  
14 judgment or restitution order under AS 12.55.045 - 12.55.051 or 12.-  
15 55.100, require the defendant to take the defendant's permanent fund  
16 dividend in cash.

17 \* Sec. 14. AS 43.23.075 is amended to read:

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

29 (b) An individual who is denied medical assistance under 42

1 U.S.C. 1396 - 1396p (Social Security Act, Title XIX) solely because of  
2 the credit or receipt of a permanent fund dividend by the individual  
3 or by a member of the individual's household is eligible for state-  
4 funded medical assistance under the general relief assistance program  
5 (AS 47.25.120 - 47.25.300). The individual is entitled to receive,  
6 for a period not to exceed four months, the same level of medical  
7 assistance as the individual would have received under 42 U.S.C.  
8 1396 - 1396p (Social Security Act, Title XIX) had there been no perma-  
9 nent fund dividend program.

10 (c) An individual who is denied assistance solely because perma-  
11 nent fund dividends credited to or received by the individual or by a  
12 member of the individual's household are counted as income or re-  
13 sources under federal law or regulation is eligible for cash assis-  
14 tance under the general relief assistance program (AS 47.25.120 -  
15 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual  
16 is entitled to receive, for a period not to exceed four months, the  
17 same amount as the individual would have received under other public  
18 assistance programs had there been no permanent fund dividend program.

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

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

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

23 ARTICLE 2. ANNUITY PROGRAM.

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

1 ly transferred from the dividend fund to the annuity investment fund.

2 (b) Money in the annuity investment fund shall be invested by  
3 the commissioner of revenue in investments authorized under AS 39.-  
4 35.110. The commissioner of administration shall credit the net  
5 income of the annuity investment fund to the individual annuity  
6 accounts.

7 (c) The legislature may annually appropriate to the Department  
8 of Administration an amount sufficient to pay monthly annuity payments  
9 for the subsequent fiscal year under AS 43.23.130 from the annuity  
10 investment fund. Funds appropriated under this subsection shall be  
11 transferred from the annuity investment fund to the Department of  
12 Administration in order to meet the current demands of the annuity  
13 program.

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

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

23 Sec. 43.23.120. ANNUITY PROGRAM. (a) The annuity program is  
24 administered by the commissioner of administration. The commissioner  
25 of administration shall adopt regulations necessary to implement the  
26 annuity program.

27 (b) The commissioner of administration shall maintain records of  
28 individual annuity accounts and make annuity payments under AS 43.23.-  
29 130.

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

4           (b) An annuity under this section is a monthly payment based  
5 upon the principal and accrued interest in the person's annuity  
6 account. An annuity shall be paid as a straight life annuity or other  
7 payment plan authorized by the commissioner of the Department of  
8 Administration. The size of the annuity may not vary on account of  
9 the individual's sex.

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

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

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

1 ed.

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

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

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

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

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

17 (b) A person who is 65 years of age on or before January 1,  
18 1988, is entitled to the full longevity bonus payment without reduc-  
19 tion for the annuity program.

20 \* Sec. 19. AS 47.45.030 is amended to read:

21 Sec. 47.45.030. ABSENCE FROM THE STATE. After qualification, a  
22 recipient shall notify the commissioner of administration when the  
23 recipient expects to be absent from the state if the absence is for a  
24 continuous period that exceeds 30 days. After that notification, the  
25 recipient may no longer receive bonuses from the Department of Admin-  
26 istration after the last regularly approved monthly application. Upon  
27 returning to the state, the recipient may again make application for a  
28 bonus. Whenever the absence is for a continuous period that exceeds 90  
29 [~~180~~] days the recipient shall be disqualified from receiving bonuses

1 for the next 12 calendar months after returning to the state. However,  
2 when the commissioner of administration determines a period of absence  
3 is beyond the control of the recipient, the recipient may not be  
4 disqualified if the recipient still otherwise qualifies upon returning  
5 to the state. Continual absences from the state, even though  
6 reported, and failure to notify the commissioner of an expected  
7 absence may be grounds for disqualification.

8 \* Sec. 20. AS 47.45.070 is amended to read:

9 Sec. 47.45.070. UNQUALIFIED PERSONS. An unqualified person is  
10 one who

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

13 (2) meets the age and residence requirements of this chap-  
14 ter but either is confined in a state or federal mental health insti-  
15 tution or facility and is certified by the state as unable to manage  
16 personal affairs, or resides in a nursing home as that term is defined  
17 in AS 08.70.190; however, if that person, at the time of commitment or  
18 commencement of residence, provided the principal support of a spouse,  
19 the commissioner of administration may determine to pay the confined  
20 person's bonus to the person's spouse until the spouse is qualified  
21 for a bonus;

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

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

3 \* Sec. 21. AS 47.45 is amended by adding a new section to read:

4 Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An  
5 individual whose public assistance is denied or reduced solely because  
6 of the receipt of a bonus under this chapter by the individual or by a  
7 member of the individual's household is eligible for assistance under  
8 the general relief assistance program in AS 47.25.120 - 47.25.300.  
9 Notwithstanding the limit in AS 47.25.130, the individual is entitled  
10 to receive the same amount as the individual would have received under  
11 other public assistance programs had the individual not received a  
12 longevity bonus.

13 (b, In this section "other public assistance" means

14 (1) Supplemental Security Income (42 U.S.C. 1381 - 1385);

15 (2) Medicaid (42 U.S.C. 1396 - 1396p); and

16 (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

17 \* Sec. 22. The lieutenant governor shall place before the qualified  
18 voters of the state at the next general election the following question,  
19 advisory to the legislature. The question shall appear on the ballot in  
20 substantially the following form:

21 Q U E S T I O N

22 Under legislation proposed in 1985, only individuals who turn  
23 65 on or before January 1, 1988, who have lived in Alaska  
24 for at least one year, will be entitled to receive an Alaska  
25 longevity bonus of \$250 a month.

26 The legislature is considering a program that would allow  
27 younger Alaskans to use all or part of their permanent fund  
28 dividend to purchase an annuity that they will receive when  
29 they turn 65, since they will no longer receive the full

1           longevity bonus. In the early years of the program, the  
2           annuity payment would have to be supplemented with a declin-  
3           ing bonus payment paid for with state funds, since initially  
4           the annuity payment would not on its own provide an amount  
5           equal to \$250 a month.

6           Should the legislature adopt this program?

7                           Yes [ ]                           No [ ]

8           \* Sec. 23. Section 11, ch. 38, SLA 1984 is amended to read:

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

11           \* Sec. 24. AS 43.23.045(c) is repealed.

12           \* Sec. 25. Sections 2 - 18 of this Act take effect on the date that  
13           sec. 1 of this Act is repealed.

14           \* Sec. 26. Section 1 of this Act takes effect on the date that secs.  
15           2 - 18 of this Act are repealed.

16           \* Sec. 27. Sections 19 - 24 of this Act take effect immediately in  
17           accordance with AS 01.10.070(c).

LAKE CLARK — Before attempting to cross-breed their respective "stair-step" and annuity approaches, the House and Senate should review the basic intent behind the Longevity Bonus Program, then do their best to meet it as closely and cheaply as possible.

What was that intent?

As one who was there, I recall well our desire to compensate territorial pioneers for their contributions prior to statehood. While it can be argued that some of us here at that time should pay rather than be paid for our contributions, enough "old-timers" were considered to have been on the plus side of the ledger to warrant reward. Moreover, although they'd been taxed, they'd been denied voting privileges, and many had worked prior to Social Security. Accordingly, the original longevity bonus was limited to those who had been here before statehood and had 25 years of continuous residency. The Zobel case, of course, threw all that out. The program had to be open to every one age 65-plus, whether they'd been here one year or 65. Since this perverted the program's original intent, many thought the program should have been dumped. Trouble was, if the program ends, many of those we sought to reward would have been badly hurt. Efforts to keep both, baby, and bathwater have prompted expensive interim measures which could turn that bathwater into red ink. A better solution, I believe, is to simply turn down the



**Jay Hammond**  
bushralings

tap and reduce the size of the tub. Here's a blended approach of both House and Senate concepts which appears to better meet original legislative intent at far less cost:

- 1) Provide that only those now age 51 or older would ever be eligible for the longevity bonus.
- Rationale: Since the original intent was to reward territorial pioneers who "contributed" 25 years to Alaska while undergoing deprivation, hardship and the voting disenfranchisement of territorial status, it makes sense to limit such reward to only those who might have made such contributions. Certainly no one under age 21 at the time of statehood could have done so. Therefore, since it has been 26 years since statehood, it should make sense to limit the bonus to those now 51 or older. This feature should appeal to advocates of "stair-stepping," though at first they may think it no more than "s-crawling." More on that later.
- 2) Grandfather in all current bonus recipients and exempt them from any annuity program which would require them to relinquish permanent fund dividends in order to

receive the full \$3,000 yearly bonus.

3) Establish an annuity/bonus program for everyone else now age 51 or older. Each year they could elect to receive either the dividend or one annuity share. Only if they acquired an annuity share every year, however, would they be eligible to receive the full combined annuity/bonus payment of \$3,000. For each year they failed to secure an annuity share, their bonus would decline by \$300 rather than simply the earnings per annuity share for that year.

For example: Upon reaching age 65 Alaskans now 55 could have obtained 10 annuity shares. If they had done so by that time, they would receive from their annuity account the annual earnings of their accumulated shares, with their bonus reduced accordingly. Thus, if their 10 annuity shares earned \$500, their bonus would be \$2,500 instead of \$3,000. No annuity shares? No bonus at all.

This in effect "back-loads" rather than "front-loads" annuity shares, by taking back from one's bonus more than the actual earnings of the annuity shares. This saves the state immense amounts of money by phasing out the bonus program far more rapidly.

Moreover, unlike the House version of stair-stepping by age rather than reducing bonus value, this approach does not give non-residents now 65-plus who come to Alaska an unfair advantage over, say, a lifelong Alaskan now 64 years old. For example: Five years from now the

would receive only a \$1,500 bonus. The lifelong Alaskan would receive the same amount, unless each year he had secured an annuity share with his relinquished dividend. Should he have done so and each share had earned \$50, his annuity/bonus payment would be \$250 from the annuity account, plus \$2,750 from the bonus account — for a total of \$3,000.

This approach 1) assures that all current longevity bonus recipients continue to receive both the full bonus and their dividend checks; 2) meets the primary intent of the bonus program better and costs less than either the House or Senate bill; 3) phases out the bonus in 10 years so far as new entries are concerned; and 4) does not get the state into an ever-expanding annuity program. Rather, it would phase out no more than 14 years later than would the House stair-stepped bonus — and unlike it, would be funded from relinquished dividends rather than the general fund.

I urge legislators to look very carefully at "back-loading" annuities. And rather than "stair-stepping" by age, they should consider sliding more rapidly down the bonus bannister by reducing its annual values to be offset only by an individual's prior acquisition of annuity shares. In those approaches may be some answers which could yet be prised out in this legislative session's dwindling days.

□ Jay Hammond was governor of Alaska from 1974 to 1982.

John Andrews Dep Comm - Admin.

65+  
1 yr Residency

Applic.  
Reapply Monthly  
At address -  
not prwordable

Incarcerated  
Nursing home  
Mental Hosp.

15,500 yearly

cd be out for 90 days.  
& cd reapply.

SB56

optimal annuity plan

Yes No  
99K 65K

\$ 51m current prog.

75m in ten years

86m 2002

\$ 30m in 2002 under SB56

SB57 pot'l to cost same as SB56  
or a whole lot less.

65 by the yr 2001.  
(he 21 by state head)

1) grandfather in  
Those who get it  
2)

Hallgren -

Shifts the LBP to the Per. Fund.  
Don't come for that - lose Flex.  
on use of PF.

- 1) Private plans are better than this one.
- 2) Real # of partic. - may have high admin costs. In a certain % of partic.
- 3) Long term costs
- 4) Seniors cd not use funds in times of crises.

Frees those less well off -  
to share in future income.

Less able - should be addressed.

Budgett

- 1) LB helps people to live in own home
- 2) wd otherwise stay in Pioneer Homes.

PF: Keep hands off of it.

Prefers SB 56.

Concerned about possible suspension of PF ÷ prog.

Also concerned about what happens when PF person leaves the state for any length of time.

SLA 85:

If Based on need - Base it on net rather than gross.

JK: opposed to "stairstepping" or PN based program.

Can we get a printout on the  
long. bonus benefit in our ~~area~~ <sup>DISTRICT</sup>

Message from Tom Hawkins - 2400

In 1986 - 80% of Greenscreek was purchased by British Petroleum - AMSELCO.

Since that time seven miles of road has been constructed and the porthole has been built up. They are making major investments - later in February they will be driving the tunnel into the mountain. They expect to invest \$40 million in 1987 and additional \$40 million in 1988.

Their first shipment is expected to be by December 1988. They will start their mill later this year. 1,000 tons of rock will be removed daily and they will then float out the goodies. There is a staff of 225 operating on two 12 hour shifts. Findings suggest that this will be the largest silver mine in the U.S.

Prognosis is good. Of course this is market dependent and will be running faster than Red Dog.

A handwritten signature in dark ink, appearing to be 'TH', with a long horizontal flourish extending to the left.