

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 8879

SB 56, SB 56-H *Leg. Fin.* 21

SB 56



# Alaska State Legislature

SENATE

*Committee on Finance*


Official Business

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

MEMORANDUM

April 8, 1987

TO: Senator Don Bennett

FROM: Senator John Binkley, Co-Chairman  
Senate Finance Committee 

RE: Subcommittee Assignment - Senate Bill 56

As we discussed, Senate Bill 56, "An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program," will be assigned to you for subcommittee work. This bill was received in Finance on April 1.

I am attaching the backup information Senator Kerttula provided me, along with his request for a hearing before the Finance Committee. Please let me know when the bill is ready to be heard.

cc: Senator Jay Kerttula

3/23/88 HFC

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: HCS CSSB No. 56 (2d SA)  
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: OAA AIR 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 M. ... 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)

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page \_\_\_ of \_\_\_

*Fiscal Notes  
received and forwarded  
on after bill  
R/o.*

March 8, 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)

H(FIL)  
3/15/88  
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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
<b>OPERATING</b>						
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	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	<b>28.6</b>	<b>186.3</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>
<b>CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND *	28.6	186.3	120.0	120.0	120.0	120.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	<b>28.6</b>	<b>186.3</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Ervin Jones  
Division: Permanent Fund Dividend Division

Phone: 465-2323  
Date: March 11, 1988

Approved by Commissioner: Hugh Malone  
Agency: Revenue

Date: 3/14/88

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

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LEGISLATIVE FINANCE

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:

	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>
<b>1. <u>Positions</u></b>			
<b><u>Data Processing</u></b>			
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  
HCSCSSB 56  
 As of March 11, 1988

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	\$13.6	\$132.4	\$93.7
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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.)	\$2.2	\$2.2
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Total Contractual	\$15.0	\$47.4	\$24.8
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Fiscal Note Analysis  
HCSCSSB 56  
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.

H-Fin 3/11/88

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 Phone: 465-4400  
Division: Pioneers' Benefits Date: 2-23-88

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

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

MAR 11 1988  
LEGISLATIVE FINANCE

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.

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MAR 11 1988

Prepared By: Jim Fox, Deputy Commissioner Phone: 465-2200  
 Division: Department of Administration Date: 03/09/88  
 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)

FY	AVG. # NEW ELIG.	AMT. OF ALB PNT.	AVG. PNT. TO NEW ELG. (65 AFTER 1/2/89	REMAINING REC. FROM CURRENT PROGRAM	PNT. FOR ORIG. RECIPI.	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	\$74,867,662	\$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	\$60,111,380
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 PNT.  
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: Retirement and Benefits  
 Sponsor: Kerttula Components: State Annuity System Benefits  
 Requestor: \_\_\_\_\_

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	27.1	88.1	190.8	342.3
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0					
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	27.1	88.1	190.8	342.3
TOTAL	0	0	27.1	88.1	190.8	342.3

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 attached

Prepared By: Robert F. Stalnaker Phone: 465-2270  
 Division: Retirement and Benefits Date: March 2, 1988

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)

MAR 11 1988  
 LEGISLATIVE FINANCE

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

March 1, 1988

IV Analysis: This fiscal note details the amount of appropriation from the Annuity Investment Fund to pay for annuities each year. We have made the following assumptions:

- o 360 persons reaching age 65 in FY 90 and increasing by 4% each year thereafter.
- o 75% of new eligibles will participate up to the full extent of Permanent Fund Dividends.
- o a rate of 9% per year earnings on annuity accounts.
- o Maximum annuity amount for 1990 of \$8.37 per month.

We would recommend that an alternative method be used in paying annuities from the Annuity Investment Fund, similar to that with the Public Employees' Retirement System (PERS). A separate account could be maintained within the Annuity Investment Fund to serve as the Annuity Reserve Account. Upon application for the annuity, the full balance of the member's annuity account could be transferred to the Annuity Reserve Account for payment of future annuities. This is the method used in the PERS and provides several advantages:

- 1) The money in this account can still be used by the Department of Revenue for investment;
- 2) This would remove the necessity for the annual estimating as to how many members will choose to retire and what amount should be appropriated;
- 3) It would remove the need for supplemental appropriations when an insufficient amount is appropriated.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Department of Administration  
 Title: An act amending and making effective an annuity program BRU: Retirement and Benefits  
 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
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 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)

MAR 11 1988  
 LEGISLATIVE FINANCE

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 10A	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  
 DRU 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**

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.

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	Org. 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>24,864</td> <td rowspan="4"></td> </tr> <tr> <td>Benefits</td> <td>9,855</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>34,719</td> </tr> <tr> <td>Travel</td> <td></td> <td>25,000</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>5,800</td> </tr> <tr> <td>Other</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Total Cost</td> <td>68,019</td> </tr> </tbody> </table>			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	<p>Justification</p> <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 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.</p>		
Type of Expenditure		Amount																																							
1	2	3																																							
Salary	24,864																																								
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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 <b>Accountant II</b>		No. of Positions <b>1</b>	Range/Step <b>16A</b>	Barg. Unit <b>GGU</b>
Time Status <b>FT</b>	Staff Months <b>12.0</b>	Location <b>Juneau</b>		Election District <b>4</b>
		<b>Justification</b>		
		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.		
<b>Type of Expenditure</b>		<b>Amount</b>		
<b>1</b>	<b>2</b>	<b>3</b>		
Salary	32,424			
Benefits	11,722			
Premium Pay				
Other				
<b>Total Personal Services</b>		<b>44,146</b>		
<b>Travel</b>				
Contractual		2,000		
Commodities		500		
Equipment		7,900		
Other				
<b>Total Cost</b>		<b>54,546</b>		
<b>Funding Source for Total Cost</b>				
Federal Receipts 1002				
G. F. Match 1003				
General Fund 1004		54,546		
GF Program Receipts 1005				
Other				

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 (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					
			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 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.		

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
			Justification		
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. F. Match 1003					
General Fund 1004		68,633			
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 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>					

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

H(S.A.) 7  
1/23/88

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  
 LEGISLATIVE FINANCE  
 Page 1 of 9

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 BLD PNT.	PYG. PNT. TO NEW ELG. (65 FTFR 1/2/89)	REMAINING FRCH CURR PROGRAM	ATTRITION RATE FOR REMAINING ELIG.	EST. REMAIN AT END FY	PMT. FOR ORIG. RECIPI.	GF PAYMENT FOR BONUS	CUMULATIVE EXPENDITURES	COST OF ADL W/O SB56 (4% GROWTH)	ESTIMATED GRANT SAVINGS	CUMULATIVE SAVINGS
1250.00	\$519,000	17,473	.043202	16718	\$51,286,705	\$51,805,705	\$51,805,705	\$51,805,705	\$0	\$0
1250.00	\$1,079,520	16,718	.046026	15949	\$49,000,199	\$50,079,719	\$101,805,424	\$59,077,933	\$3,798,215	\$3,798,215
1340.32	\$1,079,230	15,949	.043092	15166	\$46,671,562	\$47,750,792	\$149,636,216	\$56,039,051	\$0,282,259	\$12,090,474
1230.54	\$1,076,722	15,166	.043242	14372	\$44,306,436	\$45,383,158	\$195,019,374	\$50,274,373	\$12,091,215	\$24,971,689
1220.59	\$1,071,461	14,372	.043708	13570	\$41,913,069	\$42,984,529	\$230,003,903	\$60,605,349	\$17,620,819	\$42,592,507
1209.64	\$1,059,005	13,570	.043498	12763	\$39,500,130	\$40,559,136	\$278,563,039	\$69,029,562	\$22,470,426	\$65,062,933
1197.65	\$1,038,375	12,763	.043006	11954	\$37,076,337	\$38,114,712	\$316,677,751	\$65,550,744	\$27,436,032	\$92,498,965
1104.51	\$1,000,116	11,954	.042602	11146	\$34,650,615	\$35,658,731	\$352,376,402	\$60,172,774	\$33,514,043	\$126,013,008
1170.11	\$966,616	11,146	.042131	10342	\$32,232,441	\$33,199,057	\$385,535,539	\$70,093,605	\$37,700,670	\$162,713,636
1154.31	\$911,909	10,342	.042000	9546	\$29,831,954	\$30,743,063	\$416,279,402	\$79,735,672	\$42,991,010	\$205,705,445
1136.25	\$841,691	9,546	.042228	8761	\$27,460,042	\$28,301,734	\$444,501,135	\$76,605,099	\$48,363,366	\$254,030,811
1117.90	\$753,595	8,761	.041703	7991	\$25,120,404	\$25,001,999	\$470,463,134	\$79,752,503	\$53,070,504	\$207,759,315
1096.95	\$644,474	7,991	.043035	7242	\$22,049,351	\$23,493,924	\$493,956,959	\$82,442,603	\$59,440,779	\$167,400,074
1071.09	\$510,030	7,242	.042566	6516	\$20,635,533	\$21,146,363	\$515,103,322	\$86,760,307	\$65,113,944	\$132,532,020
1048.51	\$348,783	6,516	.042117	5910	\$18,499,644	\$18,848,427	\$533,951,748	\$89,710,720	\$70,862,293	\$93,374,331
1020.50	\$153,887	5,810	.044474	5152	\$16,453,014	\$16,607,702	\$550,559,450	\$93,299,148	\$76,591,447	\$90,075,770
1.00	\$0	5,152	.042395	4521	\$14,503,146	\$14,509,146	\$565,068,596	\$97,031,114	\$82,571,363	\$62,597,747
1.00	\$0	4,521	.040079	3929	\$12,675,841	\$12,675,841	\$577,744,437	\$100,912,359	\$80,236,518	\$750,834,255
1.00	\$0	3,929	.039970	3379	\$10,963,210	\$10,963,210	\$580,707,647	\$104,948,053	\$91,905,643	\$844,819,908
1.00	\$0	3,379	.049735	2973	\$9,379,133	\$9,379,133	\$599,006,705	\$109,146,007	\$99,767,663	\$944,507,577
1.00	\$0	2,873	.040245	2413	\$7,929,451	\$7,929,451	\$606,016,236	\$113,512,600	\$105,503,229	\$1,050,170,016
1.00	\$0	2,413	.041632	1999	\$6,617,501	\$6,617,501	\$612,633,817	\$118,053,187	\$111,435,606	\$1,161,606,412

TABLE AT BEGINNING OF FY89 ANTICIPATED ANNUAL GROWTH RATE  
4.0%

ORIGINAL AMOUNT OF LONGEVITY PNT.  
1250.00

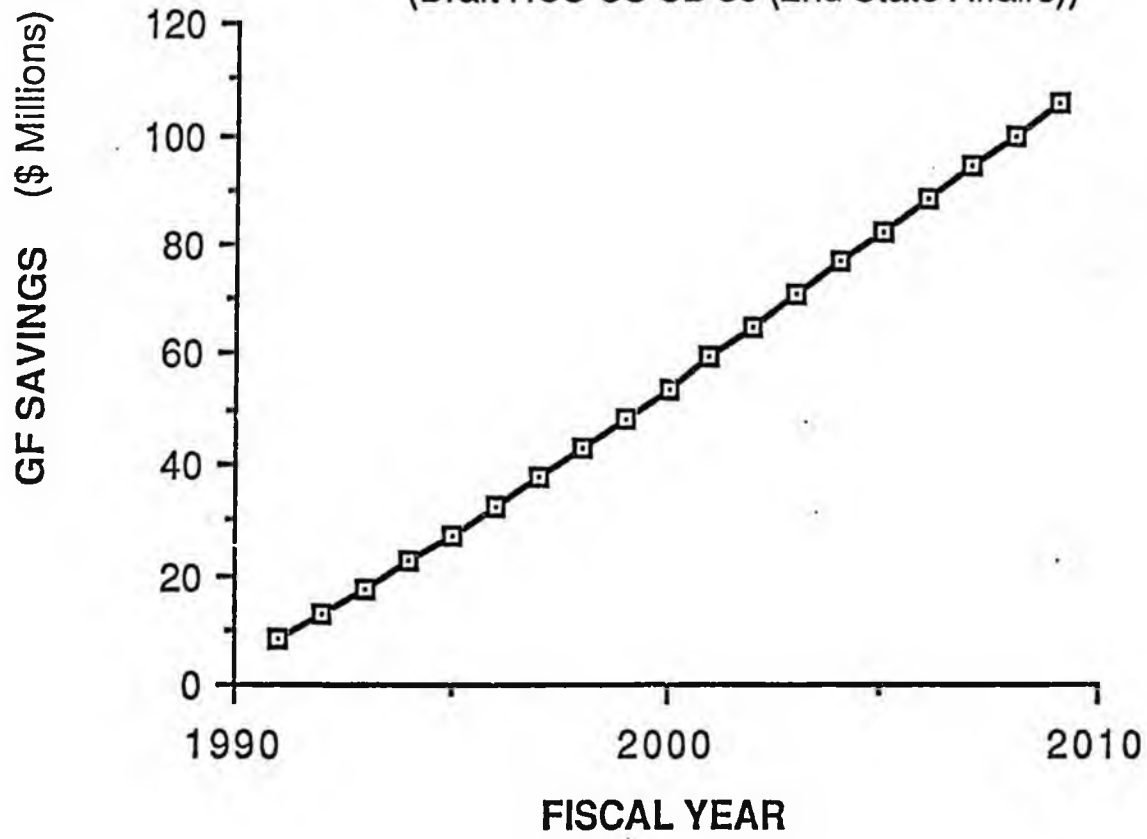
is based on bonus payments to half of the  
or of new recipients in a given year added to  
prior year recipients. Since a growth factor is  
group as a whole, no mortality rate was

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

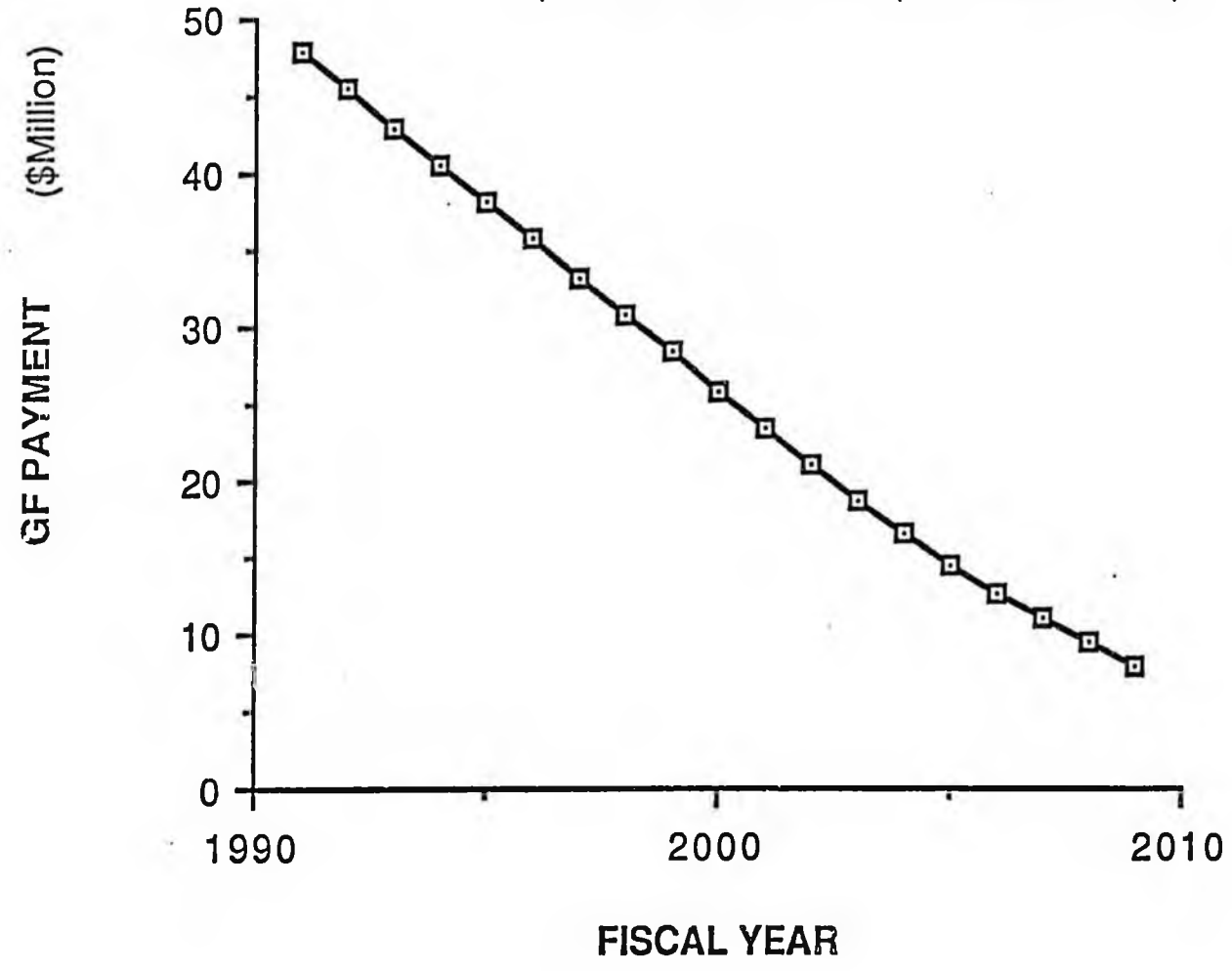
1 is the maximum specified in the draft for new

## ANNUAL SAVINGS

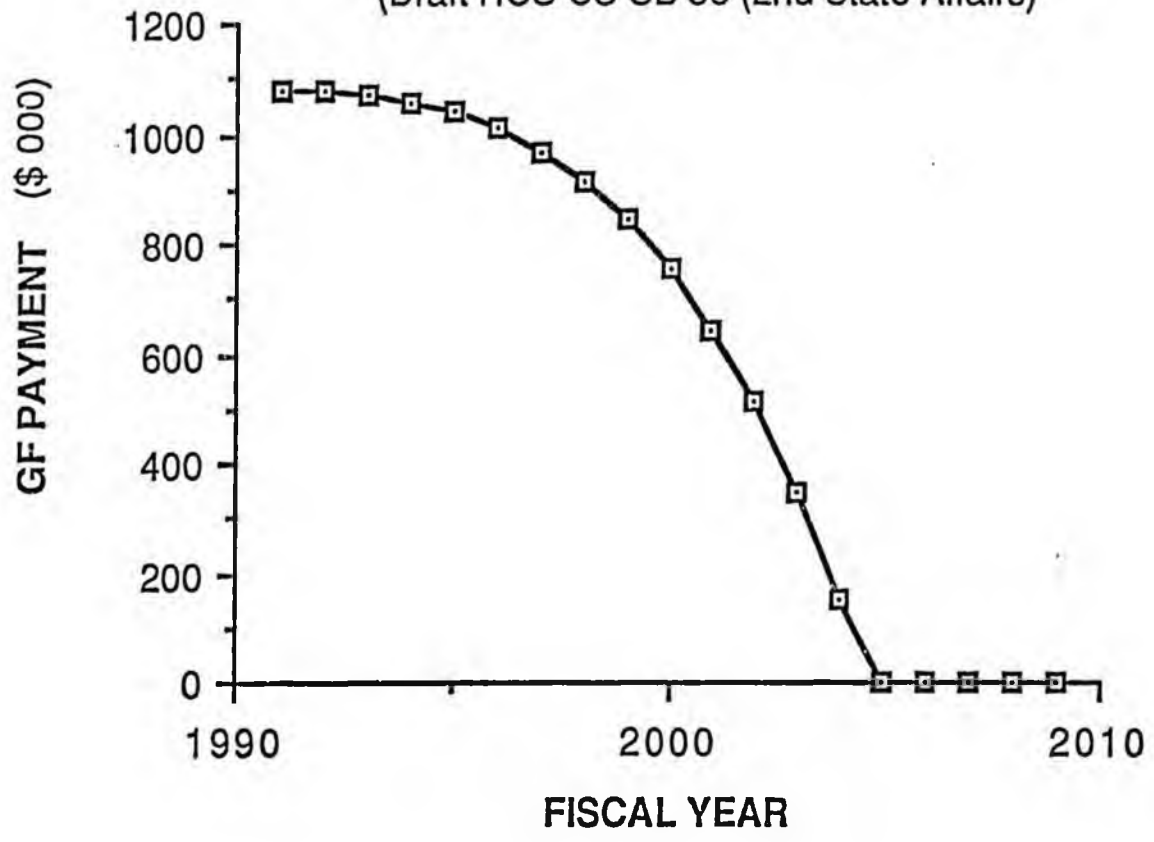
(Draft HCS CS SB 56 (2nd State Affairs))



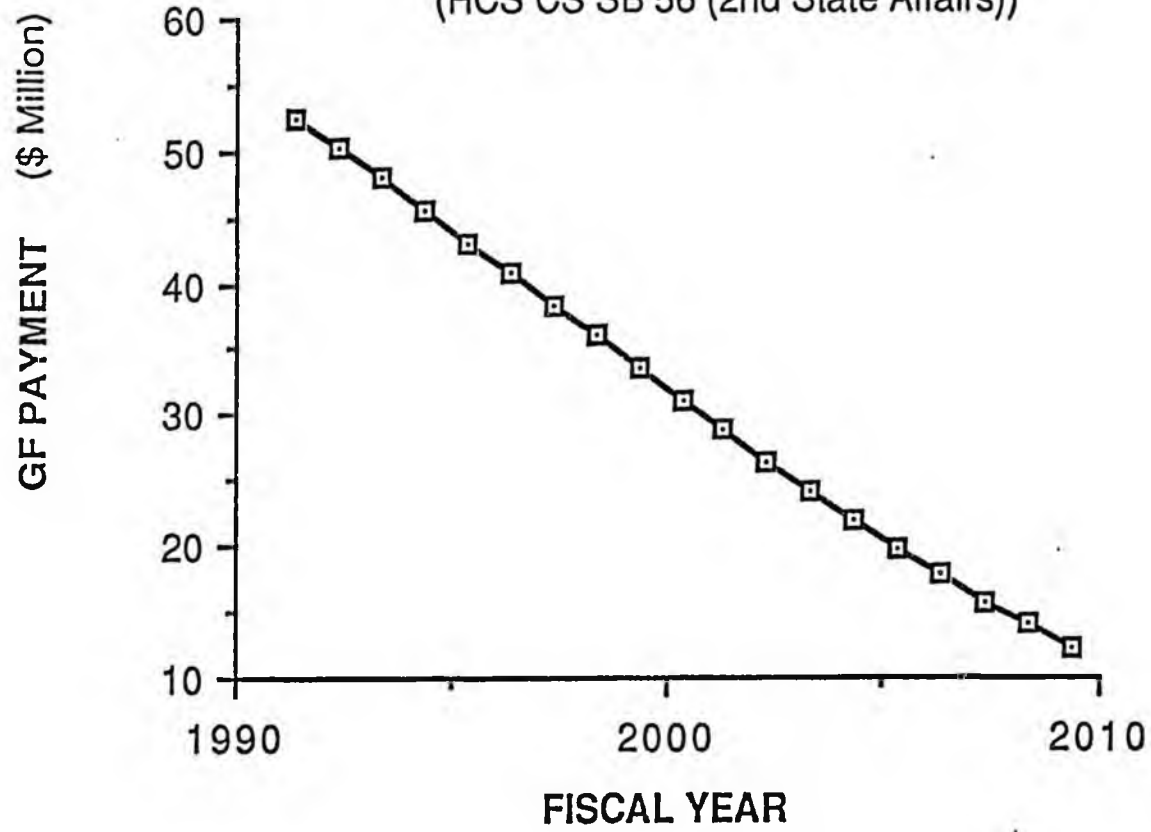
**ANNUAL COST OF GRANTS**  
(Draft HCS CS SB 56 (2nd State Affairs))



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



**Grant Cost for Original Recipients**  
<sup>DRAFT</sup>  
**(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  
CHARGED

==+

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
1987	\$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	\$50,077,719	\$48,076,530	\$46,075,341	\$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	\$34,368,398
1992	\$45,383,158	\$43,564,196	\$41,745,234	\$39,926,273	\$38,107,311	\$36,238,349	\$34,449,367	\$32,650,425
1993	\$42,984,529	\$41,259,434	\$39,534,337	\$37,809,243	\$36,084,148	\$34,359,053	\$32,633,956	\$30,908,862
1994	\$40,559,136	\$38,928,615	\$37,298,094	\$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	\$33,507,943	\$31,972,354	\$30,436,764	\$28,901,175	\$27,365,565
1996	\$35,658,731	\$34,216,069	\$32,777,407	\$31,355,745	\$29,896,063	\$28,455,421	\$27,014,759	\$25,574,097
1997	\$33,199,057	\$31,852,537	\$30,506,616	\$29,160,695	\$27,814,575	\$26,468,454	\$25,122,353	\$23,776,213
1998	\$30,743,863	\$29,491,459	\$28,239,115	\$26,985,741	\$25,734,366	\$24,481,992	\$23,229,618	\$21,977,244
1999	\$28,301,734	\$27,141,672	\$25,982,011	\$24,822,149	\$23,652,268	\$22,502,426	\$21,342,565	\$20,182,704
2000	\$25,881,999	\$24,812,945	\$23,743,690	\$22,674,336	\$21,605,782	\$20,536,727	\$19,467,673	\$18,398,619
2001	\$23,493,824	\$22,513,376	\$21,532,527	\$20,552,476	\$19,572,029	\$18,591,580	\$17,611,131	\$16,630,682
2002	\$21,146,363	\$20,251,608	\$19,357,233	\$18,482,696	\$17,555,142	\$16,673,367	\$15,779,032	\$14,854,477
2003	\$18,848,427	\$18,036,542	\$17,224,657	\$16,412,772	\$15,600,837	\$14,799,715	\$14,059,729	\$13,319,743
2004	\$16,607,702	\$15,874,774	\$15,141,846	\$14,479,357	\$13,821,204	\$13,163,052	\$12,504,899	\$11,845,746
2005	\$14,509,146	\$13,928,780	\$13,348,414	\$12,768,048	\$12,187,662	\$11,607,317	\$11,026,951	\$10,446,585
2006	\$12,575,641	\$12,166,808	\$11,661,774	\$11,157,746	\$10,647,707	\$10,140,673	\$9,633,639	\$9,126,606
2007	\$10,853,210	\$10,524,682	\$10,086,153	\$9,647,625	\$9,209,096	\$8,770,566	\$8,332,040	\$7,893,511
2008	\$9,379,138	\$9,093,972	\$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	\$6,517,581	\$6,352,677	\$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
1987	\$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	\$29,183,767	\$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	\$19,022,542	\$17,862,981	\$16,703,119
2000	\$17,329,564	\$16,260,510	\$15,191,456
2001	\$15,650,233	\$14,667,784	\$13,709,610
2002	\$14,032,162	\$13,206,741	\$12,381,320
2003	\$12,579,758	\$11,839,772	\$11,099,786
2004	\$11,188,594	\$10,530,441	\$9,872,289
2005	\$9,866,219	\$9,255,853	\$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	\$6,002,648	\$5,627,463
2009	\$5,392,027	\$5,074,649	\$4,757,671
2010	\$4,497,953	\$4,235,252	\$3,970,545

SENATE COMMITTEE REPORT

FURTHER:

4/1/87

DATE TURNED INTO OFFICE 5/7/87

Mr. President:

FINANCE Committee considered SB 56

making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2 - 18 ch. 99, SLA 85, efd.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR SB 56 (Jud) )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted State Affairs

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

[Signature]  
Paul F. [Signature]  
[Signature]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

OTHER RECOMMENDATIONS

[Signature] (Notes)  
[Signature] (Notes)  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature] DO PASS  
Chairman signature and recommendation

Committee Backup Attached

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version : CS SB 56 (JUD)  
Publish Date : \_\_\_\_\_

Revision Date: \_\_\_\_\_

Agency Affected: ADMINISTRATION  
BRU: LONGEVITY BONUS

Title: An Act amending and making effective an annuity program

Sponsor: KERTTULA, HALFORD....

Components : \_\_\_\_\_

Requestor : \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		51,200.0				
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**


GENERAL FUND		51,200.0				
FEDERAL FUNDS						
OTHER						
TOTAL		51,200.0				

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

Prepared by: Senator John Binkley Phone: \_\_\_\_\_  
Division: Co-Chair Senate Finance Date: 5/7/87

Approved by Commissioner:  Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by preparer):

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

# Alaska State Legislature

INTERIM OFFICE  
1024 WEST SIXTH AVENUE  
ANCHORAGE, ALASKA 99501  
(907) 274-2843

IN SESSION:  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4714



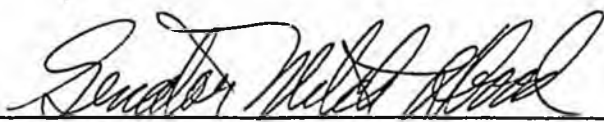
Senator Mitch Aboud  
CHAIRMAN

## Senate Committee on State Affairs

### LETTER OF INTENT

The Senate State Affairs Committee has considered CSSB 56 (State Affairs) "An Act making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided in secs. 2-18, Ch.99, SLA 1985; and providing for an effective date.

It is the intent of the Senate State Affairs committee that the Department of Revenue and the Department of Administration take steps to educate and inform the public about the annuity program and the changes to the permanent fund dividend program and the Alaska longevity bonus program that are made effective by this Act.

  
\_\_\_\_\_  
CHAIRMAN, SENATE STATE AFFAIRS COMMITTEE

3/2/87  
DATE

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).

**STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE**

**REQUEST:** \_\_\_\_\_

Bill Version : SSSB No. 56 (ISA) (6)  
Publish Date : 3-10-87

Revision Date: \_\_\_\_\_

Agency Affected: Health & Social Services

Title: An act Relating to the Alaska

BRU: Assistance Payments RRII

Longevity Bonus Program

Sponsor: \_\_\_\_\_

Components: OAA-ALB Hold Harmless

Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
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-	622.4	3608.3	4162.4	4617.2	5020.1
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL OPERATING</b>	-0-	622.4	3608.3	4162.4	4617.2	5020.1

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

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	-0-	622.4	3608.3	4162.4	4617.2	5020.1
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

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

**ANALYSIS :**

The FY88 Governor's budget assumes elimination of the Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH) program, effective January 1, 1988. It is important to note that the dollars saved by this proposed legislation have been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$622.4 must be restored to the Public Assistance BRU FY88 Budget. This analysis assumes continuation of the ALB Hold Harmless program.

Prepared by: John P. Taber, Director Phone: 465-3307  
Division: Division of Public Assistance Date: 3-4-87

Approved by Commissioner: John M. Mendenhall Date: 3/9/87  
Agency: Department of Health & Social Services

**Distribution (by preparer):**

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

Division of Public Assistance

Assistance Payments BRU

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

1. The Governor's FY88 budget presumes a needs-based Longevity Bonus, which would eliminate the need for a Hold Harmless program. CSSB No. 56 continues the Hold Harmless program; costs reflect restoration of a full Hold Harmless for the Bonus, 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

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

	6-Month Impact				
	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
OAA-ALB Hold Harmless Program expenditure	1556.0	3608.3	4162.4	4617.2	5020.1
Amount of OAA-ALB HH that replaces lost SS payments	622.4	1443.3	1687.9	1902.2	2089.1
Amount of OAA-ALBHH that replaces State OAA payments	933.6	2165.0	2474.5	2715.0	2931.0

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: CS SB 56 54  
Publish Date: 3-3-87

REQUEST

Revision Date: \_\_\_\_\_  
Title: \* (see below)

Agency Affected: Administration  
BRU: Longevity Bonus

Sponsor: Kerttula  
Requestor: Senate State Affairs

Components: Administration, Grants

\* Making Effective an Annuity Program and Amending Alaska Longevity Bonus and Permanent Fund Dividend.

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
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REVENUE	0	0	0	0	0	0
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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:

The implementation of the annuity

program to replace the Longevity Bonus Program will result in a decrease in general funds committed to the program. The difference is shown on the Grants and Claims line. The amount is based on the difference 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.

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

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 56

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

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.

GRAND IGLOO  
PIONEERS OF ALASKA

ORGANIZED AUGUST 4, 1908



OFFICE OF GRAND PRESIDENT

Petersburg Alaska  
March, 5, 1987

Hon. Fran Ulmer; Chairman,  
Committee On State Affairs.

Dear Representative Ulmer;

I just want to formally inform you, that at  
the last Pioneers convention held in Juneau last  
Sept.  
We took a vote on the Annuity Program, and it  
carried by a majority vote.

The Pioneers of Alaska will greatly appreciate  
your support for Senate Bill #56, which will activate  
the Annuity Program and leave the Longevity Bonus  
as is.

Yours Truly,

A handwritten signature in cursive script that reads "Arnold P. Wasvick (Swede)".

Arnold P. Wasvick  
Grand President PIONEERS OF ALASKA

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

5-0363A

1 IN THE SENATE  
2  
3 SENATE BILL NO. 56  
4 IN THE LEGISLATURE OF THE STATE OF ALASKA  
5 FIFTEENTH LEGISLATURE - FIRST SESSION  
6 A BILL  
7 For an Act entitled: "An Act making effective an annuity program and  
8 amendments to the longevity bonus program and the  
9 permanent fund dividend program provided for in secs.  
10 2 - 18, ch. 99, SLA 1985; and providing for an effective 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).

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  
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. 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).

### 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.

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
<b>OPERATING</b>						
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	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	<b>28.6</b>	<b>186.3</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>
<b>CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>REVENUE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND *	28.6	186.3	120.0	120.0	120.0	120.0
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	<b>28.6</b>	<b>186.3</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>	<b>120.0</b>

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
<b>1. <u>Positions</u></b>			
<b><u>Data Processing</u></b>			
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  
HCSCSSB 56  
 As of March 11, 1988

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
--	-------	--------	--------

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
--	-------	--------	--------

Fairbanks

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

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  
HCSCSSB 56  
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

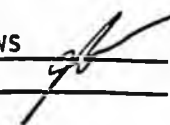
POSITIONS:

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 <b>Retirement and Benefits Specialist I/II</b>		No. of Positions <b>1</b>	Range/Step <b>16A</b>	Barg. Unit <b>GGU</b>																																																									
Time Status <b>FT</b>	Staff Months <b>12.0</b>	Location <b>Juneau (AWA)</b>		Election District <b>4</b>																																																									
<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><b>Total Personal Services</b></td> <td></td> <td><b>44,146</b></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><b>Total Cost</b></td> <td></td> <td><b>54,546</b></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			<b>Total Personal Services</b>		<b>44,146</b>	Travel			Contractual		2,000	Commodities		500	Equipment		7,900	Other			<b>Total Cost</b>		<b>54,546</b>	Funding Source for Total Cost			Federal Receipts 1002			G. F. Match 1003			General Fund 1004		54,546	GF Program Receipts 1005			Other			<b>Justification</b>  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.		
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6/6B1/0301-88/5-6

**Request For  
New Position**

Agency Administration  
 BRU Retirement and Benefits  
 Component Retirement and Benefits

**FY 89**

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 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
		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

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 Revised Date

**FY 89**

Position Title <b>Accountant II</b>		No. of Positions <b>1</b>	Range/Step <b>16A</b>	Barg. Unit <b>GGU</b>
Time Status <b>FT</b>	Staff Months <b>12.0</b>	Location <b>Juneau</b>		Election District <b>4</b>
Type of Expenditure		Amount		
<b>1</b>	<b>2</b>	<b>3</b>		
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

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 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 <b>Analyst/Programmer IV</b>		No. of Positions <b>1</b>	Range/Step <b>19A</b>	Barg. Unit <b>GGU</b>																																																																								
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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 <b>Accounting Clerk III</b>		No. of Positions <b>2</b>	Range/Step <b>10B</b>	Barg. Unit <b>GGU</b>																																				
Time Status <b>FT</b>	Staff Months <b>12.0</b>	Location <b>Juneau (AWA)</b>		Election District <b>4</b>																																				
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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-
---------	-----	-----	-----	-----	-----	-----

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

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