

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 86/2

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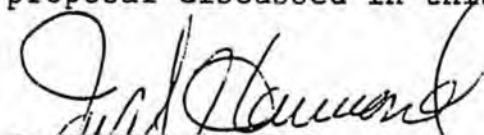
order to be eligible for admission to the homes. Plainly, that requirement raises substantial constitutional questions.


To date, no one has filed suit over the Pioneers' Home eligibility requirements. It is this committee's recommendation that the legislature develop and consider alternatives to the existing residency requirements during this session. The pressure and tension created by the Vest litigation has made it more difficult, over the past 2½ years, to develop a sound replacement for the ALB program. That experience need not, and should not be repeated for the Pioneers' Homes.

One alternative for replacing the current residency requirements warrants note. The legislature may wish to develop a point system that would determine eligibility for Pioneers' Home admission based upon the hardship that would be suffered if the applicant were forced to seek housing out of state. Location of home, family and friends would all be relevant to assessing that hardship; yet hard and fast residency rules would be avoided.

### Conclusion

The undersigned members of the committee respectfully recommend that the legislature consider and enact the annuity proposal discussed in this report.

  
Governor Jay S. Hammond

  
Representative Ronald Larson

*Bill Ray*  
Senafor Bill Ray

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*Robert C. Kallenberg*  
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JAN 12 1985

IN THE \_\_\_\_\_

BY \_\_\_\_\_

\_\_\_\_\_ BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act amending the longevity bonus program and the permanent fund dividend program in order to establish an annuity program; and providing for an effective date."

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

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

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

(2) it is appropriate that individuals save for their own retirement, and it is also appropriate that the state establish both means and incentives for Alaska residents to set aside retirement funds. Accordingly, it is a purpose of this legislation to create an annuity program, and to encourage Alaskans to participate in that program by authorizing general fund supplements which would result in annuity payments which are larger than an individual could earn through private investment of the permanent fund dividend;

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

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

(5) neither the longevity bonus program, nor the annuity program, should be viewed as a form of welfare. Other state and federal programs are available to meet the basic necessities of life, and amounts received by any individual under this Act are not calculated on the basis of need.

\* Sec. 2. AS 43.23.005 is amended to read:

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

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

(d) A person who is eligible to receive a permanent fund dividend under this section, or who is authorized to claim a dividend on behalf of another under (c) of this section, may elect to receive cash in lieu of an annuity share. Alternatively, a person may elect to receive not less than 25 percent of his dividend in cash and the remainder as an annuity credit. A person exempt under AS 47.45.015(b) will automatically receive cash without the necessity of election.

\* Sec. 4. AS 43.23.015 is amended to read:

Sec. 43.23.015. APPLICATION AND PROOF OF ELIGIBILITY. (a) The commissioner shall adopt regulations under the Administrative Procedure Act (AS 44.62) establishing the process for determining the eligibility of individuals for permanent fund dividends. The

commissioner may require an individual to provide proof of eligibility, and the commissioner may use other information available from other state departments or agencies to determine the eligibility of an individual.

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

I certify that

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

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

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

---

(signature of individual,  
parent, guardian, or other  
authorized representative)

(c) Except as provided in (d) of this section or as may be provided by regulations adopted by the department, an individual must personally sign the application for permanent fund dividends,

including the certification of residency required under (b) of this section.

(d) The application and certification of residency of an unemancipated individual under 18 years of age or of an incompetent individual must be signed by the individual's parent, legal guardian, or other authorized representative.

(e) If a public agency claims a cash [PERMANENT FUND] dividend on behalf of an individual under (i) of this section, the public agency shall hold the dividend in trust for the individual. Money held in trust under this subsection shall be invested by the commissioner in accordance with AS 37.10.070.

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

(g) If an individual is aggrieved by a decision of the department determining the individual's eligibility for a permanent fund dividend or the individual's authority to claim a permanent fund dividend on behalf of another, the individual may appeal that decision to the superior court in accordance with AS 44.62.560. An appeal under this section does not entitle the aggrieved individual to a trial de novo. The appeal shall be based on the record of the administrative proceeding from which appeal is taken and the scope of the appeal is limited to matters contained in the record of the administrative proceeding.

(h) The penalty and enforcement provisions of AS 43.23.035 apply to an individual who claims a permanent fund dividend on behalf of another.

(i) The permanent fund dividend application form shall be prepared to allow an applicant, other than a person exempt under AS 47.45.015(b), to elect to receive cash in lieu of a permanent fund dividend.

\* Sec. 5. AS 43.23.035 is amended to read:

Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to any criminal penalties imposed by state law, if an individual is convicted of a crime in connection with a false statement made in a certification required under AS 43.23.015, and the conviction is not reversed, that individual forfeits all permanent fund dividends credited or paid, together with any additional credits to his annuity account and is not eligible for a future permanent fund dividend.

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

(c) If the commissioner determines that a permanent fund dividend should not have been credited to an individual's annuity account, the commissioner may after notice and opportunity for hearing, direct the commissioner of administration to debit the individual's annuity account for the amount wrongly credited. If the

credit is the fault of the individual, the debit must be made within 10 years. If the credit is the fault of the state, the debit must be made within three years.

\* Sec. 6. AS 43.23.055 is amended to read:

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

(1) annually [PAY PERMANENT FUND DIVIDENDS FROM THE DIVIDEND FUND] make payments to exempt individuals under AS 47.45.015(b) and those who elect cash under AS 43.23.005(d);

(2) adopt regulations under the Administrative Procedure Act (AS 44.62) that establish procedures and time limits for claiming a permanent fund dividend or for making election under AS 43.23.005(d); the department shall set the time limit for applications for permanent fund dividends so that the number of eligible applicants is determined by October 1 of the year for which the dividend is declared and permanent fund dividends for a year are paid before April 30 of the year following the year;

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

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

(5) provide the commissioner of administration with information necessary to maintain individual annuity account records and administer the annuity program.

\* Sec. 7. AS 43.23.065 is amended to read:

Sec. 43.23.065. EXEMPTION OF PERMANENT FUND DIVIDENDS. (a) Fifty percent of a cash payment received under AS 43.23.005(d) [THE ANNUAL PERMANENT FUND DIVIDEND PAYABLE TO AN INDIVIDUAL] is exempt from levy, execution, garnishment, attachment, or any other remedy for the collection of debt. This exemption applies to an eligible individual's permanent fund dividend both before and after payment is made to the individual. An exemption is not available under this section for cash payments [PERMANENT FUND DIVIDENDS] taken to satisfy (1) child support obligations required by court order or decision of the child support enforcement agency under AS 47.23.140 -- 47.23.220; (2) a debt owed by an eligible individual to an agency of the state, unless the debt is contested and an appeal is pending, or the time limit for filing an appeal has not expired, or (3) court ordered restitution under AS 12.55.045 -- 12.55.051 or AS 12.55.100. A child support obligation under (1) of this section has priority over a debt owed to an agency of the state, and a permanent fund dividend may not be taken to satisfy a debt under (2) of this section until any portion of the dividend necessary to satisfy a child support obligation has been taken.

(b) When an individual owes a past due debt described in (a)(1) of this section, the department shall require that the individual take his or her permanent fund dividend in cash.

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

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

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

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

(c) An individual who is denied assistance solely because permanent fund dividends credited to or received by the individual or by a member of the individual's household are counted as income or resources under federal law or regulation is eligible for cash assistance under the general relief assistance program (AS 47.25.120 -- 47.25.300). Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive, for a period not to exceed four months, the same amount as the individual would have

received under other public assistance programs had there been no permanent fund dividend program.

\* Sec. 9. AS 37 is amended by adding a new chapter to read:

CHAPTER 16: ANNUITY PROGRAM

Sec. 37.16.010. ANNUITY INVESTMENT FUND. (a) The annuity investment fund is established as a separate fund in the state treasury. Notwithstanding the provisions of AS 37.13.145, an amount equal to the permanent fund dividends taken as annuity credits under AS 43.23 shall be annually transferred from the dividend fund to the annuity investment fund.

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

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

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

(3) The credit for persons over the age of 35 is the base amount, increased for each year of age over 35 up to and including the age of 65. The incremental increase for each year of age is a percentage over the credit for the prior year of age. That percentage shall be established with due regard for historical and projected permanent fund returns on investment;

(4) If a person elects to receive a portion of his dividend in cash under AS 43.23.005(d), the allocation to which he is otherwise entitled will be proportionately reduced.

(c) Money in the annuity investment fund shall be invested by the commissioner of revenue in investments authorized under AS 39.35.110. The commissioner of administration shall credit individual annuity accounts with earnings at a rate equal to the rate of interest earned by the annuity investment fund.

(d) The legislature may annually appropriate to the Department of Administration an amount sufficient to pay monthly annuity payments for the subsequent fiscal year under AS 37.16.030 from the annuity investment fund. Funds appropriated under this subsection shall be transferred from the annuity investment fund to the Department of Administration in order to meet the current demands of the annuity program.

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

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

Sec. 37.16.020. ANNUITY PROGRAM. (a) The annuity program is administered by the commissioner of administration. The commissioner of administration shall adopt regulations necessary to implement the annuity program.

(b) The commissioner of administration shall maintain records of individual annuity accounts and make annuity payments under AS 37.16.030.

Sec. 37.16.030. PAYMENT OF ANNUITIES. (a) An individual with one or more annuity credits may receive an annuity upon reaching the age of 65.

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

(c) An individual need not be a resident of the state to be eligible to receive an annuity payment from his or her account.

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

(e) If a person dies prior to age 65, his account shall be equitably distributed among the annuity accounts of all individuals of the same age.

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

\* Sec. 10. AS 43.23.095(6) is repealed and re-enacted to read:

(6) "permanent fund dividend" means a credit to an annuity account under AS 37.16, unless the individual is either exempt under AS 47.45.015(b) or elects cash under AS 47.23.005(d);

\* Sec. 11. AS 47.45.010(a) is amended to read:

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

make application; confinement outside the state shall be considered as residence in the state if a person was convicted and sentenced from a court in Alaska; revocation of parole or probation shall be cause for immediate disqualification until release from confinement is again effected;

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

\* Sec. 14. Section 1J, ch. 38, SLA 1984 is amended to read:

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

\* Sec. 15. AS 43.23.045(c) is repealed.

\* Sec. 16. This Act applies only to permanent fund dividends for years beginning after December 31, 1985.

\* Sec. 17. This Act takes effect January 1, 1986.

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

\* Sec. 12. AS 47.45 is amended by adding a new section to read:

Sec. 47.45.015. AMOUNT OF BONUS. (a) Subject to (b) of this section, the monthly longevity bonus is equal to \$250, increased by three percent each year beginning in fiscal year 1987, minus the maximum possible annuity for a person 65 years of age under the annuity program (AS 43.23.110 -- 43.23.120), as determined by the commissioner of administration.

(b) A person who is 65 years of age or over prior to January 1, 1986 is exempt from the annuity program reduction established in (a) of this section.

\* Sec. 13. AS 47.45.070 is amended to read:

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

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

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

(3) is otherwise qualified but confined in a penal or correctional institution or facility; upon completion of sentence or upon the conferral of a pardon, parole or probation, the person may

REPORT OF THE MINORITY MEMBERS OF THE GOVERNOR'S LONGEVITY  
BONUS TASK FORCE TO THE FOURTEENTH ALASKA STATE  
LEGISLATURE AND GOVERNOR BILL SHEFFIELD

February 1, 1985

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## I. INTRODUCTION

The purpose of this report is to provide a broad view of the issues involved in resolving the future of the longevity bonus program. Each of the options discussed before the committee has both its merits and drawbacks. The minority members of the task force believe a more complete discussion of the various proposals is necessary so that policy makers can decide which of the options is the best one for the State.

The options covered in this report are the annuity proposal, the means test proposal, the stairstepping proposal, and maintaining the current program.

## II. PHILOSOPHICAL DIFFERENCES

Each of the options considered represents a significantly different philosophy about the future of the program.

The philosophy underlying the annuity proposal is that the current bonus program should be replaced with a retirement program for all of the state's citizens. The majority report states, "[t]he Committee believes that there is a need for future State participation in the building of retirement security ..." The annuity proposal presumes that individuals need encouragement from the State to prepare for their final years, even though a majority of Alaskans save for their retirement through private sector investments and employer retirement programs.

The annuity proposal also assumes that there is still a need to provide cash assistance to elders regardless of their length of residency. And finally, this proposal would require Alaskans to choose between the alleged short term benefits of the permanent fund dividend program and the supposed long term benefits of the annuity program.

In contrast, stairstepping emphasizes three facts: (1) the original program was always intended to end if the courts ever declared it to be unconstitutional; (2) there are a large number of older Alaskans who have counted the bonus into their retirement plans, despite its constitutional status; and (3) the State faces a declining revenue picture.

Stairstepping takes care of the needs of Alaska's elders at the expense of the needs of younger Alaskans. The proposal also assumes that younger individuals will provide for their own retirement security through the private sector or will be eligible for public assistance. Further, fiscal reality is faced by phasing out the program (and the general fund cost) entirely, not shifting the general fund cost to another funding source. And finally, stairstepping does not

take need into account because many Alaskan elders reject need as a criteria for receipt of a bonus.

The philosophy behind the means test proposal can be contrasted with both the annuity and stairstepping proposals. It assumes the longevity bonus program should continue, but provides a larger benefit to those who need it the most. In other words, even though we cannot afford to continue the current program at its present cost forever, poorer individuals need a larger bonus payment. Also, the means test proposal is crafted to mesh with federal entitlement programs so the State can provide more benefits for the poor overall with less State cash.

The last option, maintaining the current program, assumes that the bonus should continue in its present form because all Alaskans rely on it, regardless of whom it was originally intended to benefit. Also, it emphasizes the importance of the bonus and its priority for State funding in spite of declining revenues and competition with other statewide needs.

### III. ANNUITY PROPOSAL

Although the committee majority favors the annuity, there are certain aspects of the proposal that the majority report does not discuss.

#### A. Summary

The annuity proposal has three basic features: (1) Continuing the bonus program for all persons age 65 by 1986, and paying these persons a benefit level of \$250 per month, plus 3 percent cost of living increase, for life. (2) Phasing out the bonus program for every one under 65 in 1986, and paying these persons an ever reducing benefit level until sometime in the early part of the next Century. (3) Creating a State supplemental retirement program for those under 65 by 1986 who choose to invest their permanent fund dividends in it.

#### B. Front-loading

The annuity bill allows the Legislature to increase the monthly annuity amount by subsidizing or "front-loading" the account with annual appropriations.

The purpose of front-loading is to increase the amount of the monthly annuity check and to provide a tax shelter for those who invest their dividends in the program. Both of these aspects are considered necessary inducements to increase participation in the program.

Though the cost of front-loading depends on the number of people who participate in the program, the task force majority estimates that at least \$79 million will be required in the first three years, in addition to the funding necessary to continue the phase out bonus program. Since the revenue picture is a clear obstacle to getting this funding from the general fund, the majority proposes that front-loading dollars come from the permanent fund reserve account. We do not support use of the reserve account to pay for the annuity program, since the appropriate uses of the account are already spelled out in statute.

It is also likely that front-loading will be necessary far beyond 1989. Tax counsel has advised the committee that tax shelters will only be available in the years in which the program is front-loaded.

It also seems likely that once the subsidizing begins, it will be difficult to end. This appears especially true if short term front-loading increases the annuity checks of elder Alaskans more than those of younger Alaskans, as the majority report indicates.

It is also possible that the Legislature could decide not to front-load the program at all.

The amount of the bonus each year is tied to the maximum annuity of a 65 year old. Since the maximum annuity will be smaller if it is not subsidized, the general fund cost of the phase out bonus program would be more than the majority report indicates.

#### C. 3% Escalator

The bonus and the cost of the program itself are increased dramatically by a 3% annual escalator. If this is really intended to be an automatic cost of living increase, it should be tied to some acknowledged COLA indicator. In the past, the bonus amount has been increased for valid economic reasons, not automatically.

#### D. Participation

The more Alaskans that participate in the annuity program, the more likely it is to succeed. We are skeptical, however, about the ability of the program to achieve a high and continuous rate of participation.

According to the Governor's Office of Management and Budget, 40% of current bonus recipients have annual incomes of less than \$10,000. According to the IRS, only 2% of taxpayers within this income category buy

IRAs even though it is to their advantage to do so. The statistics on deferred compensation plans are similar. Generally, people without spare cash do not put off receiving income because they cannot afford to. Under this proposal, bonus checks will be reduced each year, yet individuals will have to give up their permanent fund dividends in order to make up the difference.

By grandfathering in current ALB recipients, the bill does protect the current income of today's elders who are at least 65. But what about everyone else? According to the Permanent Fund Corporation's recent report on the dividend program, about 18% of adult recipients making less than \$26,000 annually used their 1982 dividend to reduce debt and another 22% used it to help with regular expenses. Clearly, these individuals are using their dividends to meet basic needs.

The annuity proposal asks the Alaskans who can least afford it to make a very difficult choice -- either they take the cash now to meet basic needs or they skimp on basic needs and defer their dividend for a promise of a future payment. And they have to trust that the program will still be in existence, and that they will live to 65.

Even those Alaskans who can afford the program may be reluctant to participate. Consider the following facts:

1. The tax deferrable status is uncertain even with front-loading because the IRS has not yet ruled on it. If this program is not considered a shelter by the IRS, there are many other tax shelters available in the private sector.
2. There are no survivor benefits. No matter how long you defer your dividend, if you die, your account is split up amongst all the other accounts in your age category. None of your heirs, nor your estate, have a right to any part of the balance in the account.
3. An individual can never liquidate or transfer his annuity account if he decides to change investment strategy. In other words, the money goes in, you cannot take it out.
4. Even if you live to 65, there is still no assurance that you will get any or all of your annuity. Because there is no vested property right, the State could either end the program.

at any time without owing you any money or could pay you less than you originally invested.

E. Legality of the Proposal

In general, this proposal appears to be constitutional-ly sound. It should be noted, however, that the grandfathering of current bonus recipients would create a protected class of persons. Any law that establishes such a classification is subject to an equal protection challenge. However, it seems unlikely that such a challenge would succeed, since the classification is a rational one that furthers a legitimate public purpose. Please refer to the discussion in section IV - E for further information.

F. Conclusion

The question for policy makers is whether this particular annuity proposal makes good economic sense on both a State and a personal level.

IV. STAIRSTEPPING PROPOSAL

A. Summary

The stairstepping proposal continues the current program for five years and then begins to phase out the program by increasing the age of eligibility by one year, each year beginning in July, 1991. In effect, any one who is 60 or older by July of 1985 would qualify for a \$250 monthly bonus from age 65 until death.

B. Impact on Younger Alaskans

The proponents of stairstepping do not dispute the fact that the proposal protects today's elders, but does not protect those who will turn 60 after July of 1985. In fact, its purpose is to ensure that those who have counted on the bonus for their retirement years receive it throughout the rest of their lives. Since we do face a gloomy revenue picture, backers of this proposal believe the only affordable method of protecting the bonus for current elders is to discontinue the program for everyone else.

This should not be interpreted as a lack of concern for the retirement years of individuals under age 60. Instead, it reflects a philosophy of truly "substituting private thrift for public largesse", the alleged theme of the annuity proposal. It reflects a belief that there are plenty of savings options

available in the private sector for those individuals who are in a position to defer cash until some future time. Further, it reflects the belief that the annual permanent fund dividend can be used for this purpose now and that establishing a State annuity program to encourage saving the dividend for retirement is unnecessary.

Finally, it is important to reiterate that the original bonus program was intended to self-destruct if it was ever declared unconstitutional. The stairstepping proposal accomplishes this task while minimizing the harm which would otherwise occur.

#### C. Why Protection for 60 Year Olds Instead of 65 Year Olds

The group of Alaskans who do count on the bonus extends beyond those who are currently eligible to those who are about to become eligible. In general, it is accurate to state that the older and poorer an individual is, the more that individual needs both the bonus and the dividend.

It is true that any age cut off is arbitrary. The reason that age 60 has been chosen, however, is that those who are within five years of retirement are most in need of the bonus. Also, five years appears to be adequate to allow Alaskans in their 50s to prepare for a retirement without the bonus. At the very least, it gives these Alaskans plenty of notice that they can no longer expect to receive a bonus.

It should be noted that if the method of stairstepping is changed, the bonus of more Alaskans will be protected. For example, instead of waiting five years and then stairstepping one year each year, stairstepping could begin immediately but occur every other year. This would allow a much larger group of Alaskans to receive a bonus, but receipt would begin at a more advanced age.

#### D. Legality of the Proposal

Stairstepping creates two classes of people: those who receive bonuses and those who do not. Any law that establishes classifications is subject to an equal protection challenge under both the Federal and State constitutions. A challenge will not succeed, however, if the classifications embodied in the law are rational, and further legitimate governmental purposes. They do not need to meet the test of furthering a compelling State interest, as other laws do.

The stairstepping approach would not affect any constitutional right beyond general equal protection. It would provide benefits to newcomers who met the one year age requirement, and thus would not thwart the right to travel.

Stairstepping embodies a balance between recognition that our elders need the bonus on the one hand, and a perception that the State cannot continue to fund an ever expanding program indefinitely. In a recent case, the Alaska Supreme Court reaffirmed that the recognition of "grandfather right" and "hardship" are legitimate goals of the limited entry law under equal protection analysis. Kalmakoff v. State, Op. No. 2900 (January 11, 1985). It appears that court would find it legitimate for the Legislature to "grandfather" those who are presently receiving the bonus or expecting to receive it in the near future, since those individuals would suffer the most hardship if the program were suddenly ended. Individuals younger than 60 at the date of enactment would have considerable notice that the program would not be available to them at retirement, and would have some wage-earning years to adjust their expectations. Also, the State's revenue expectations are certainly a legitimate element in deciding what program should be enacted.

In sum, it appears that stairstepping is constitutional and would withstand any legal challenge.

#### E. Conclusion

Stairstepping continues to be a valid method of dealing with the current longevity bonus crisis. Though not all Alaskans would benefit from it, it is a fair, rational approach to a problem that does not have any easy solutions.

### V. MEANS TEST PROPOSAL

#### A. Summary

Under the means test proposal, an individual age 65 or over may apply for a bonus of \$250 a month if his or her adjusted gross income was less than \$25,000 for the year prior to application. An individual who does not meet the income requirement, or who chooses not to apply for \$250, is eligible for a bonus of \$100 per month.

The \$25,000 income cap will allow 80% of Alaskan elders to continue to receive the \$250 monthly bonus. At the same time, the proposal would reduce payments to those elderly Alaskans for whom a monthly bonus is not a

financial incentive to remain in the State. These wealthier individuals will continue to be honored with a smaller monthly bonus that can be viewed as a psychological incentive to remain in Alaska.

#### B. Reasons for a Means Test Program

Many elder Alaskans have vehemently opposed creation of a "welfare" bonus program. These individuals feel that the bonus was originally intended to reward them for their contributions to Alaska and that it never was intended to be a form of public assistance. Indeed, some of these elders appear to prefer no future for the bonus program at all if that future is based on need.

Why then should the Legislature seriously consider a means test proposal? One important reason is the federal government's position on the impact of future bonus income on public assistance. Since federal officials insist that the \$250 bonus be counted when determining public assistance eligibility for some Alaskan elders, this proposal represents a direct method of cancelling the affect of the federal action. It would eliminate the loss of Federal Supplemental Security Income and Old Age Assistance for 750 Alaskans and non-nursing home medicaid benefits for 314 Alaskans.

Also, federal officials have indicated that they will be flexible in determining whether a program meets their definition of need. Though this proposal still allows 80% of current recipients to continue to get \$250 a month, federal officials believe it will fall within their definition.

The proponents of this proposal are not insensitive to the wishes of those elders who are opposed to any needs based program. Rather, they have attempted to craft a proposal that does alleviate the federal concern as well as the concern of these elders. Actually, this proposal would not implement a "welfare" program. It is only a needs based one in the sense that it does draw distinctions among elders based on income. But it is not a "welfare" program because it is not only for the very poor. All elders get a bonus and most elders get the same bonus; only the wealthiest 20% get less than the others.

Moreover, there are many elders who do not share the strong feelings about a potential "welfare" stigma. These individuals are not always the most vocal, but they are still important. This proposal emphasizes their importance and points out another method of dealing with the state's fiscal reality by giving a

larger bonus to those who need it the most.

### C. Legality of the Proposal

The largest legal question posed by this proposal is whether the one year residency requirement would be valid for the \$250 bonus since its receipt would be based on a person's income. The United States Supreme Court has held that a one year residency requirement infringes on the federally protected right to travel when used in a program which provides the "basic necessities of life." Thus, in Shapiro v. Thompson, 394 U.S.618 (1969), the court struck down a one year residency requirement for welfare assistance.

But every government program does not provide for "basic necessities of life." For example, in Hawaii Boating Association v. Water Transportation Facilities, 651 F.2d 661 (9th Cir. 1981), the court found that a one year residency requirement for reduced rates for boat moorage did not impair the right to travel, since the benefit involved was not significant.

While the courts have ruled that some programs clearly fall within the "basic necessities" definition (such as welfare, hospitalization, and federal low rent housing) and some programs are clearly outside of that definition (such as moorage fees, practicing law without taking a bar exam, running for city council and COLAs in workers compensation benefits), there is no precise dividing line. A strong argument could be made that this proposal does not provide a "basic necessity" and that the one year requirement is valid.

First, the State has other programs such as old age assistance and medicaid which are available to new Alaskans to provide basic necessities.

Second, the income cap requirement is not typical of a test for welfare eligibility. A welfare program test looks at a person's total assets (i.e., value of their home, boats, cars, etc.), but this proposal only looks at a person's adjusted gross income. The income cap provisions are more properly viewed as a retirement supplement to all but the most wealthy, rather than as a program to fulfill basic needs.

Finally, the purpose of the one year requirement would be to determine, without too much administrative burden, which elders are bona-fide Alaskans as opposed to mere visitors. Like students, older Alaskans tend to travel for extended periods. So long as seniors are not denied basic necessities such as medical care and funds for food and shelter if they are destitute, we

believe the one year requirement would withstand a challenge. The two year residency requirement for student loans was recently upheld for similar reasons.

D. Conclusion

This proposal is valid because it addresses the federal support of the public assistance question and because it favors those Alaskans who need the bonus the most. As such, it should be the subject of serious legislative consideration, even though some seniors have reservations about it.

VI. STATUS QUO PROPOSAL

A. Summary

This proposal would continue the present program -- \$250 monthly bonus to all one year residents at least 65 years old -- indefinitely.

B. The Bonus as a Priority for State Funding

This proposal asserts that the bonus in its present form is a major priority and should be continued for all Alaskans despite the high cost. If our revenues were not dwindling at an everincreasing pace, we would look more favorably on this proposal. We fear, however, that other statewide needs such as roads, water and sewer, education, and health care will suffer if the bonus program continues in its present form. There are simply not enough oil dollars to meet all our needs. Many other State programs reward and assist elder Alaskans. We hope to continue funding these programs as well as a less expensive bonus program.

C. Continuing the Status Quo in FY 86

Although we are uncomfortable with the notion of continuing the program in its present form forever, we feel strongly that if the Legislature and the Governor cannot reach agreement on any other proposals during this session, the current bonus program should be extended for another year. We do not prefer this approach, but we do not want to end the program altogether if 120 days is not enough time to reach consensus on this important issue.

VII. The Immediate Impact on Public Assistance Eligibility

A. How to Protect the Bonus Income of Public Assistance Recipients

Federal and State law treat the longevity bonus payment

in a manner that results in a devastating form of "legal" discrimination for many senior citizens on public assistance. These laws require the senior citizen to apply for the longevity bonus. Then, these same laws reduce or eliminate the amount of public assistance payments, dollar for dollar. The senior citizens on public assistance, unlike the middle and high income seniors who receive the longevity bonus on top of all other income, realize no material gain in their income from receipt of the longevity bonus. Additionally, many of the seniors also lose their entitlement to public assistance medical benefits that the longevity bonus payment does not replace. The poorest of our seniors -- those who need the bonus the most -- are actually harmed by the Alaska longevity bonus.

This "catch 22" affects all seniors who fall into either of two categories:

1. Seniors who reached the age of 65 during 1984 through September 30, 1985, and who did not meet the unconstitutional residency requirements.
2. Seniors who reach the age of 65 after September 30, 1985, irrespective of their residency. This category would include all seniors who would have met the unconstitutional residency requirements.

The effect of this "catch 22" is that the federal government saves federal funds and Alaska's longevity bonus program becomes a cash benefit program for the middle and upper classes of seniors who need the money far less than the poor.

There are only two ways to extend the benefits of the longevity bonus program to our low income senior citizens:

1. create a means test longevity bonus program, or
2. create a "hold-harmless" provision in State public assistance statutes to ensure that the State makes up the difference in federal benefits lost and continues to pay State public assistance to individuals effected by the "catch 22."

The cost to the State would be:

HOLD-HARMLESS COSTS - FY86

	<u>Already Budgeted</u>	<u>Required Fiscal Note</u>
Federal (SSI) Payment	0	1,400,000
State (OAA) Payment	760,000	0
Non-nursing Home Medical	0	413,847
	<u>760,000</u>	<u>1,813,847</u>

If the Nursing Home Exclusion Amendment (see "B", page 13) is not adopted, then the hold-harmless fiscal note should be increased by \$514,982 for FY86.

STATUTE CHANGES

One Statute change would be needed to hold recipients harmless under all currently proposed longevity bonus programs:

Amend Article 4, AS 47.25.430f, to provide that

- (1) The Department must increase the amount of an individual's Adult Public Assistance payment by the amount of any reduction in assistance provided under Title XVI of the Social Security Act which occurs solely because of considering payments made under AS 47.45 as available income; and
- (2) Notwithstanding AS 47.25.435, in determining eligibility for Adult Public Assistance and the amount of Adult Public Assistance payment, the Department will not consider any payment made under AS 47.45 as income available to the applicant or recipient.

Note: Regardless of which longevity bonus proposal is enacted, the hold-harmless provisions above must have an effective date of July 1, 1985. If the means test proposal is enacted, these hold-harmless provisions should sunset on the effective date of the new act to protect funding level of adult public assistance programs.

B. Exclusion of Individuals in Nursing Homes from Eligibility for the Bonus

The bonus can preclude a poor elder from receiving Medicaid assistance while in a nursing home even though it does not offset the cost of care in the nursing home (approximately \$4000/month). Also, the federal government requires that the individual apply for the bonus to get Medicaid. While the State could hold

these individuals harmless at a cost of \$514,982 (General Fund), the Legislature could make nursing home residents ineligible for a bonus.

It should be emphasized that this suggestion is not intended to harm nursing home residents or to judge their worthiness for receipt of a bonus. Rather, it is intended to protect such elders from the exorbitant cost of nursing home care. Irrespective of personal income before entering a nursing home, 97% of Alaskans in nursing homes in the state eventually turn to Medicaid to pay their bills.

### VIII. COST INFORMATION

#### A. Long Term Costs

The following chart compares the cost of the four proposals in nominal dollars through fiscal year 2034. The chart shows that the general fund costs of both the annuity and stairstepping proposals eventually disappear whereas the means test and status quo proposals continue to need general funds. For the next 50 years, the total costs are as follows:

Annuity proposal	\$1.29 billion
Stairstepping proposal	\$1.13 billion
Means test proposal	\$3.20 billion
Status Quo	\$5.42 billion

The present value (the amount of funding necessary to endow the program today) of the cost of these proposals is:

Annuity proposal	\$620.02 million
Stairstepping proposal	\$496.88 million
Means test proposal	\$634.9 million
Status Quo proposal	\$879.78 million

#### B. Population Forecast

The cost chart is based on a forecast of Alaska's elderly population. This forecast may overstate the number of people who will actually participate in any of the proposed programs, at least in the near term. For example, the population forecast predicts 16,744 eligibles for FY 86, yet only 14,547 elders are currently receiving a bonus. Also, after 2010, the forecast assumes that the elder population remains constant, which does not account for death, migration, etc.

If the population projections do turn out to be too high, then the cost estimates are also too high.

COMPARISON OF ALB ALTERNATIVES

FISCAL YEAR	-----MONTHLY PAYMENTS-----					-----POPULATIONS-----				-----ANNUAL COSTS----- (millions)			MEANS TEST BILL
	--MEANS TEST BILL--	-----ANNUITY BILL-----				65 & OVER	65 BEFORE 1986	65 AFTER 1985	65 BEFORE 1992	ANNUITY BILL*	STAIRSTEP BILL**	CURRENT LAW	
	MEANS TEST ALB	UNIVERSAL ALB	ALB TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB								
1986	\$250.00	\$100.00	\$250.00	\$11.92	\$238.08	16,744	15,039	1,705	16,744	\$75.2	\$50.2	\$50.2	\$50.2
1907	\$250.00	\$100.00	\$257.50	\$24.86	\$232.64	17,768	14,349	3,419	17,768	\$80.4	\$53.3	\$53.3	\$46.7
1988	\$250.00	\$100.00	\$265.23	\$39.05	\$226.18	18,769	13,660	5,109	18,769	\$85.0	\$56.3	\$56.3	\$48.6
1989	\$250.00	\$100.00	\$273.18	\$46.94	\$226.24	19,828	12,974	6,854	19,828	\$61.1	\$59.5	\$59.5	\$50.6
1990	\$250.00	\$100.00	\$281.38	\$56.27	\$225.11	20,913	12,293	8,620	20,913	\$64.8	\$62.7	\$62.7	\$52.4
1991	\$250.00	\$100.00	\$289.82	\$67.21	\$222.61	21,908	11,616	10,292	21,908	\$67.9	\$65.7	\$65.7	\$54.0
1992	\$250.00	\$100.00	\$298.51	\$79.93	\$218.58	22,849	10,943	11,906	20,839	\$70.4	\$62.5	\$68.1	\$55.3
1993	\$250.00	\$100.00	\$307.47	\$94.67	\$212.80	23,861	10,273	13,588	19,890	\$72.6	\$59.7	\$71.6	\$56.6
1994	\$250.00	\$100.00	\$316.69	\$111.73	\$204.96	24,799	9,606	15,193	18,823	\$73.9	\$56.5	\$74.4	\$57.7
1995	\$250.00	\$100.00	\$326.19	\$131.53	\$194.66	25,891	8,945	16,946	17,948	\$74.6	\$53.8	\$77.7	\$59.8
1996	\$250.00	\$100.00	\$335.98	\$154.20	\$181.78	26,863	8,291	18,572	16,873	\$73.9	\$51.6	\$80.6	\$59.9
1997	\$250.00	\$100.00	\$346.06	\$180.13	\$165.93	27,692	7,644	20,048	15,819	\$71.7	\$47.5	\$83.1	\$60.5
1998	\$250.00	\$100.00	\$356.44	\$209.76	\$146.68	28,657	7,012	21,645	14,934	\$68.1	\$44.8	\$86.0	\$61.3
1999	\$250.00	\$100.00	\$367.13	\$243.52	\$123.61	29,556	6,396	23,160	13,969	\$62.5	\$41.9	\$88.7	\$61.8
2000	\$250.00	\$100.00	\$378.15	\$281.92	\$96.23	30,511	5,799	24,712	13,031	\$54.9	\$39.1	\$91.5	\$62.5
2001	\$250.00	\$100.00	\$389.49	\$325.34	\$64.15	31,459	5,225	26,234	12,090	\$44.6	\$36.3	\$94.4	\$63.2
2002	\$250.00	\$100.00	\$401.18	\$374.26	\$26.92	32,440	4,676	27,764	11,193	\$31.5	\$33.6	\$97.3	\$64.0
2003	\$250.00	\$100.00	\$413.21	\$429.25	-0-	33,448	4,156	-	10,306	\$20.6	\$30.9	\$100.3	\$64.7
2004	\$250.00	\$100.00	\$425.61	\$490.97	-0-	34,483	3,666	-	9,438	\$18.7	\$28.3	\$103.4	\$65.4
2005	\$250.00	\$100.00	\$438.38	\$560.18	-0-	35,721	3,210	-	8,639	\$16.9	\$25.9	\$107.2	\$66.7
2006	\$250.00	\$100.00	\$451.53	\$637.63	-0-	37,130	2,788	-	7,850	\$15.1	\$23.5	\$111.4	\$68.3
2007	\$250.00	\$100.00	\$465.07	\$721.15	-0-	38,489	2,402	-	7,043	\$13.4	\$21.1	\$115.5	\$69.7
2008	\$250.00	\$100.00	\$479.03	\$820.68	-0-	40,309	2,050	-	6,359	\$11.8	\$19.1	\$120.9	\$71.9
2009	\$250.00	\$100.00	\$493.40	\$928.22	-0-	42,194	1,778	-	5,640	\$10.5	\$16.9	\$126.6	\$74.0
2010	\$250.00	\$100.00	\$508.20	\$1,047.88	-0-	44,012	1,449	-	4,950	\$8.8	\$14.9	\$132.0	\$76.1
2011	\$250.00	\$100.00	\$523.44	-	-0-	45,000	1,213	-	4,243	\$7.6	\$12.7	\$135.0	\$76.7
2012	\$250.00	\$100.00	\$539.15	-	-0-	45,000	1,003	-	3,669	\$6.5	\$11.0	\$135.0	\$75.6
2013	\$250.00	\$100.00	\$555.32	-	-0-	45,000	819	-	3,161	\$5.5	\$9.5	\$135.0	\$74.5
2014	\$250.00	\$100.00	\$571.98	-	-0-	45,000	658	-	2,698	\$4.5	\$8.1	\$135.0	\$73.5
2015	\$250.00	\$100.00	\$589.14	-	-0-	45,000	521	-	2,340	\$3.7	\$7.0	\$135.0	\$72.4
2016	\$250.00	\$100.00	\$606.82	-	-0-	45,000	405	-	1,907	\$2.9	\$5.7	\$135.0	\$71.3
2017	\$250.00	\$100.00	\$625.02	-	-0-	45,000	309	-	1,596	\$2.3	\$4.8	\$135.0	\$71.0
2018	\$250.00	\$100.00	\$643.77	-	-0-	45,000	231	-	1,320	\$1.8	\$4.0	\$135.0	\$70.7
2019	\$250.00	\$100.00	\$663.08	continues	-0-	45,000	169	-	1,078	\$1.3	\$3.2	\$135.0	\$70.4
2020	\$250.00	\$100.00	\$682.98	to	-0-	45,000	114	-	866	\$0.9	\$2.6	\$135.0	\$70.1
2021	\$250.00	\$100.00	\$703.47	increase	-0-	45,000	76	-	686	\$0.6	\$2.1	\$135.0	\$69.9
2022	\$250.00	\$100.00	\$724.57	-	-0-	45,000	48	-	533	\$0.4	\$1.6	\$135.0	\$69.6
2023	\$250.00	\$100.00	\$746.31	-	-0-	45,000	31	-	407	\$0.3	\$1.2	\$135.0	\$69.3
2024	\$250.00	\$100.00	\$768.70	-	-0-	45,000	18	-	304	\$0.2	\$0.9	\$135.0	\$69.0
2025	\$250.00	\$100.00	\$791.76	-	-0-	45,000	10	-	222	\$0.1	\$0.7	\$135.0	\$68.7
2026	\$250.00	\$100.00	\$815.51	-	-0-	45,000	5	-	150	\$0.0	\$0.4	\$135.0	\$68.4
2027	\$250.00	\$100.00	\$839.97	-	-0-	45,000	3	-	100	\$0.0	\$0.3	\$135.0	\$68.1
2028	\$250.00	\$100.00	\$865.17	-	-0-	45,000	1	-	63	\$0.0	\$0.2	\$135.0	\$67.8
2029	\$250.00	\$100.00	-	-	-0-	45,000	-	-	41	\$0.0	\$0.1	\$135.0	\$67.5
2030	\$250.00	\$100.00	-	-	-0-	45,000	-	-	24	\$0.0	\$0.1	\$135.0	\$67.2
2031	\$250.00	\$100.00	-	-	-0-	45,000	-	-	13	\$0.0	\$0.0	\$135.0	\$67.0
2032	\$250.00	\$100.00	-	-	-0-	45,000	-	-	7	\$0.0	\$0.0	\$135.0	\$66.7
2033	\$250.00	\$100.00	-	-	-0-	45,000	-	-	4	\$0.0	\$0.0	\$135.0	\$66.4
2034	\$250.00	\$100.00	-	-	-0-	45,000	-	-	1	\$0.0	\$0.0	\$135.0	\$66.1

NOTES:

TOTAL COSTS, 1986-2034:	\$1,287.0	\$1,131.0	\$5,418.9	\$3,199.2
CONSTANT 1985 DOLLARS, 1986-2034:	\$764.38	\$625.01	\$1,391.12	\$945.9
PRESENT VALUE, 1986-2034:	\$620.02	\$496.88	\$879.78	\$634.9

\* Persons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" (\$25.2 in '86, \$26.5 in '87, and \$27.7 in '88).

\*\* Persons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

Although we think it is important to point out this data limitation to policy makers, we do not suggest that another set of data be used. Rather, we wish to only point out the conservative nature of the projections.

C. Cost of the Annuity Proposal

This particular chart shows the cost of the annuity program if an average participation rate of 30% is achieved, if 100% of each PFD check is deferred if the Legislature chooses to subsidize the program for the first three years, and if the annuity investment achieves a 3% real rate of return. The actual cost of the annuity program depends on several variables not easily predicted, in addition to population. The value of the dividend each year, the amount of subsidy provided each year, the cost of administering the program, and the real rate of return on the money invested all affect the overall cost of the program.

For example, if front-loading is provided every year and all other assumptions remain the same, the additional 50 year cost would be \$1.95 billion. Every time a variable is changed, the cost estimate also changes.

D. Cost of the Stairstepping Proposal

The stairstepping cost is based on the Adams proposal. If stairstepping began immediately, but the age of eligibility was only increased every other year, the cost of the program would be \$1,641.6 billion.

E. Cost of the Means Test Proposal

It is important to point out that under this proposal, more elders get the higher bonus until FY 2000. At that time, the percentage switches, since the value of money erodes over time.

F. Cost of the Status Quo Proposal

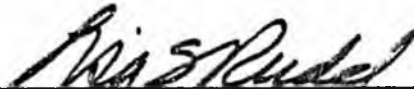
The cost of extending the current program for one year only would be \$50.2 million.

CONCLUSION

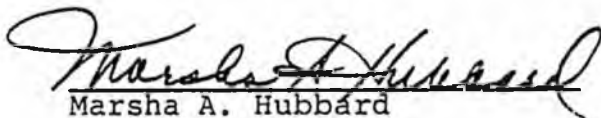
We realize that the majority of the Governor's Task Force favors the annuity proposal, and the majority report reflects that. However, we believe that the report does not adequately address some of the problems with that proposal, nor does it refute what we see as the advantages of the stairstepping and means test proposals. This report is intended to provide additional information on all the proposals being considered. As the Legislature and the Governor begin the process of deciding the future of the longevity bonus, we hope the pros and cons of each proposal will be seriously examined.



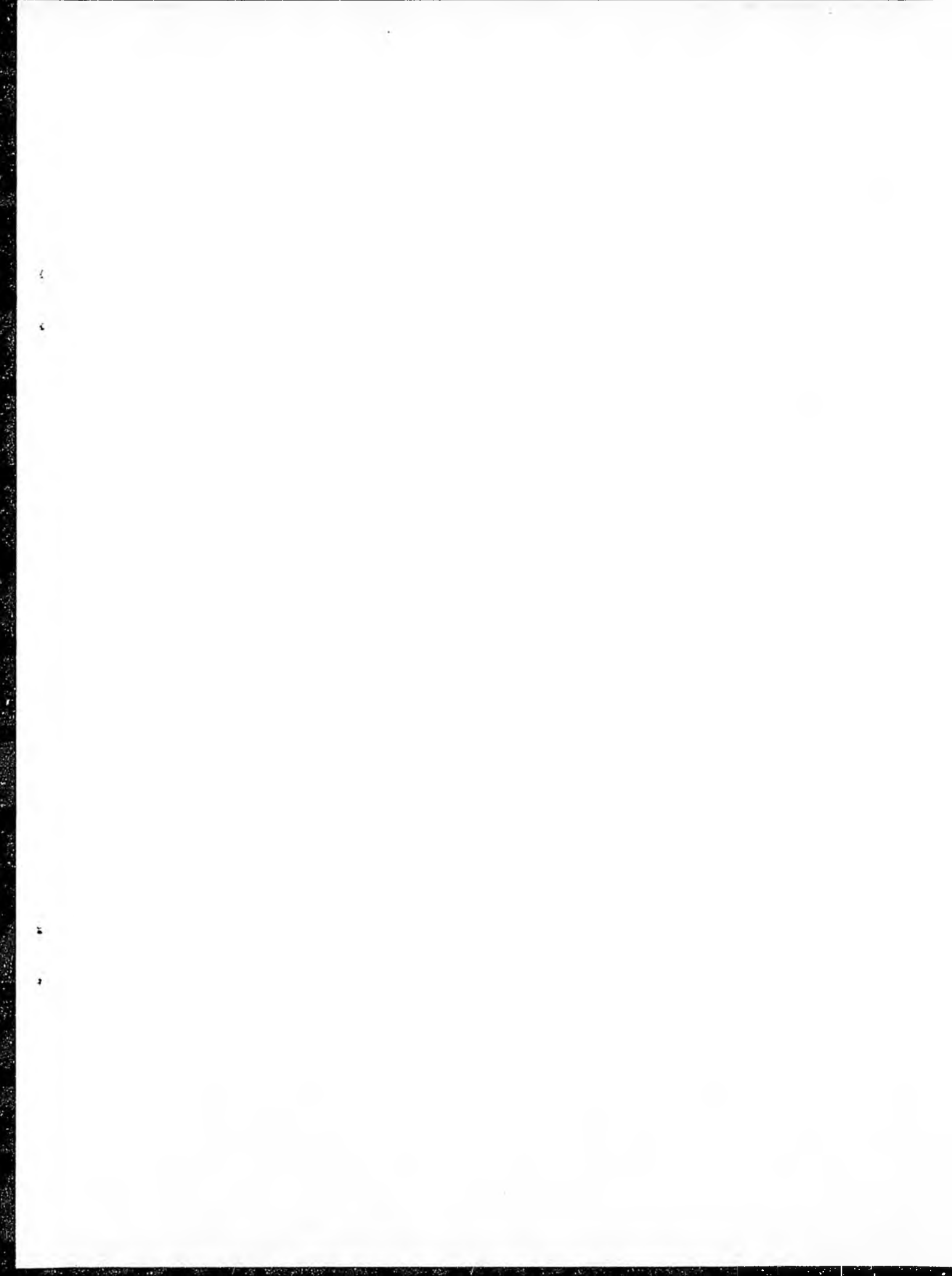
Representative Al Adams  
Member of the Committee



Commissioner Lisa Rudd  
Member of the Committee



Marsha A. Hubbard  
Member of the Committee



2/26/95

TO: SENATOR RODEY  
FR: ROSE PALMQUIST

376-0110 - OFFICE  
376-2274 - HOME

RE: SB 56 LONGEVITY BONUS LEGISLATION

PLEASE KEEP ME INFORMED OF JUDICIARY COMMITTEE MEETINGS SCHEDULED ON THIS LEGISLATION. WILL THERE BE ANY TYPE OF "WRAP-UP" MEETING FOR FINALIZATION? WILL APPRECIATE ANY AND ALL INFORMATION WHICH CAN BE SUPPLIED TO ME BY YOUR JUDICIARY COMMITTEE STAFF ON THE LONGEVITY BONUS LEGISLATION.

EDM

3/1 4:20 pm

telephoned to inform of next week's  
hearings - promised to keep me  
informed Q2

# State of Alaska

## COMMITTEES

HOUSE HEALTH, EDUCATION  
AND SOCIAL SERVICES  
(Co-Chairman)  
HOUSE JUDICIARY  
HOUSE COMMUNITY AND  
REGIONAL AFFAIRS



POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4968

914 CLAY COURT  
ANCHORAGE, ALASKA 99503  
(907) 276-6844

Representative Max F. Gruenberg, Jr.  
District 11  
Spenard, Upper Midtown Anchorage

February 18, 1985

Dear Colleague:

Joe Russo, a constituent who is President of Anchorage Sourdough Chapter 533 of the American Association of Retired Persons, Inc., has requested that I share with you the enclosed letter to Governor Sheffield dated January 31, 1985, concerning the longevity bonus. As outlined in that letter, on January 16, Chapter 533 passed a resolution in support of the longevity bonus proposal recommended by the State Special Committee on the Alaska Longevity Bonus Program, rather than a program with a "needs" basis.

A copy of the Chapter's January 31, 1985 letter to Governor Sheffield is attached.

Thank you for your consideration of that letter.

Cordially,

A handwritten signature in dark ink, appearing to read "MFG".

Max F. Gruenberg, Jr.

MFG/ke  
Encls.



of the AMERICAN ASSOCIATION OF RETIRED PERSONS, Inc.

ANCHORAGE SOURDOUGH CHAPTER #533

January 31, 1985

State of Alaska  
Office of the Governor  
Pouch V  
Juneau, Alaska 99811

Honorable Governor Sheffield:

Dear Sir:

At the January 16, 1985 monthly meeting of Anchorage Sourdough Chapter #533 of the American Association of Retired Persons the current issues on the longevity bonus were discussed, in fact discussed rather vigorously and emphatically on certain points.

A resolution was passed by the chapter in support of Mr. Harms' version of the solution to the problem rather than base eligibility on a needs basis.

Sourdough Chapter enjoys an active membership of 300 members. It is our hope you will please give the above your consideration.

Respectfully,

Hazel E. Harris (Mrs.)  
Corresponding Secretary

JR/hh

cc:  
Senator Don Bennett  
Rep. Ben Grussendorf

*Joe Russo Pres.*  
JOE RUSSO Pres.

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### DIVISION OF RETIREMENT & BENEFITS

PLEASE REPLY TO:

POUCH CR (MS 0203)  
JUNEAU, ALASKA 99811  
PHONE (907)465-4460

2600 DENALI ST. SUITE 401  
ANCHORAGE, ALASKA 99503  
PHONE (907) 277-7504

Public Employees' Retirement System  
Teachers' Retirement System  
Judicial Retirement System  
Elected Public Officers Retirement System  
National Guard Retirement System  
Territorial Retirement System  
Retirees Voluntary Dental-Vision Audio Plan  
Supplemental Benefits System  
Group Health/Life Insurance Benefits  
Deferred Compensation Plan  
Public Employers Social Security Contributions

**Bill Sheffield, Governor**

(907) 465-4470

February 1, 1985

The Honorable Jan Faiks and John Sackett  
Cochair  
Senate Finance Committee  
Pouch V  
Juneau, AK 99811

Dear Senators Faiks and Sackett:

At the Senate State Affairs Committee meeting held January 29 on Senate Bill 56, I was asked to reduce an observation to writing and direct it to the Senate Finance Committee. Since SB 56 has also been referred to the Senate Judiciary Committee, I am providing them with a copy of this letter.

As it is currently drafted, SB 56 allows people who reach the age of 65 on or after January 1, 1986 to draw an annuity benefit and, at the same time, continue to receive additional annuity shares in lieu of cash permanent fund dividends. The purpose of this continued participation is apparently to ensure that those persons can add their annuity payment to their longevity bonus payment and not suffer any reduction from year to year. This provision does allow annuity recipients to benefit from any "front loading" which may occur after their annuities commence, but it makes the program more difficult to administer and understand.

Each annuity recipient's benefit will have to be recomputed each year to reflect any additional annuity shares or front loading. This makes it impractical to utilize an independent annuity carrier and indicates in-house issuance of checks and earnings statements.

Fixing annuity payments at the time they commence would not only simplify payment administration, but would also lend itself to allowing annuitants to choose forms of payment other than the single life annuity. Annuitants could select a joint and survivor option or other form of payment at the time annuity payments commenced without creating problems for the program. The Senate State Affairs Committee responded to a considerable amount of testimony in favor of allowing beneficiaries to receive deferred permanent fund dividends when a participant dies before reaching age 65. I believe that pressure to provide for beneficiaries of those who die shortly after reaching age 65 will increase over time as people participate in and understand the program. It would be very difficult to explain to a 64 year-old, terminally ill, person with two years to live who had participated in the program for several years that there was no way in which either that person or his or her family could benefit from those contributions.

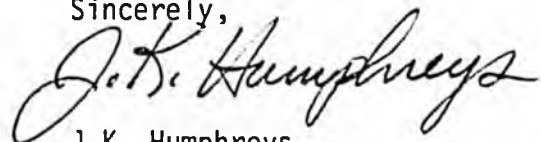
The Honorable Jan Faiks and John Sackett  
February 1, 1985  
Page 2

There appear to be several alternatives to continued participation which would allow fixing the annuity at the time payments began. All alternatives would require that those receiving annuities take their permanent fund dividends in the form of cash to supplement their annuities and any longevity bonus payments. If no change were made in the way longevity bonus payments are computed, in SB 56, a recipient would not benefit from front loading after payments began and might not attain the full combined value. Or, Longevity Bonus payments could be reduced only by the maximum annuity available to a 65-year-old at the time payments begin and not reduced further. This second approach would increase Longevity Bonus costs but would presumably decrease front loading costs. As a final example, Longevity Bonus payments might be reduced by the maximum annuity available at the time payments commenced plus one twelfth of the previous year's permanent fund dividend.

I raised this point in the Senate State Affairs Committee, not as an advocate, but because a number of the people analyzing SB 56 had been confused. This is a key element in the structure of the program and legislative intent should be clear.

Please let me know if you would like any further information.

Sincerely,



J.K. Humphreys  
Director

JKH/plg

cc: The Honorable Mitch Abood  
Chairman of Senate State Affairs Committee

✓ The Honorable Pat Rodey  
Chairman of Judiciary Affairs Committee

Commissioner Rudd

Rebecca Burch  
Special Assistant to  
the Commissioner

Gregg Erickson  
Principle Analyst  
Division of Strategic Planning  
Office of Management & Budget

COMPARISON OF ALB ALTERNATIVES

FISCAL YEAR	MONTHLY PAYMENTS						ANNUAL COSTS (millions)			
	ANNUITY BILL			CSSB 56			SPECIAL COMMITTEE ANNUITY BILL*	CSSB-56*	STAIRSTEP BILL**	CURRENT LAW
	ALB TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB	ALB TO PERSONS BEFORE 1986	MAXIMUM POSSIBLE ANNUITY	RESIDUAL ALB				
1986	\$250.00	\$ .00	\$250.00	\$250.00	\$ .00	\$250.00	\$50.2	\$50.2	\$50.2	\$50.2
1987	\$257.50	\$11.92	\$245.58	\$257.50	\$11.92	\$245.58	\$79.6	\$79.6	\$53.3	\$53.3
1988	\$265.23	\$24.86	\$240.37	\$265.23	\$24.71	\$240.52	\$84.7	\$84.7	\$56.3	\$56.3
1989	\$273.18	\$39.05	\$234.13	\$273.18	\$38.38	\$234.80	\$89.5	\$89.5	\$59.5	\$59.5
1990	\$281.38	\$46.94	\$234.44	\$281.38	\$45.55	\$235.83	\$65.8	\$65.9	\$62.7	\$62.7
1991	\$289.82	\$56.27	\$233.55	\$289.82	\$53.97	\$235.85	\$69.2	\$69.5	\$65.7	\$65.7
1992	\$298.51	\$67.21	\$231.30	\$298.51	\$63.79	\$234.72	\$72.2	\$72.7	\$62.5	\$68.5
1993	\$307.47	\$79.93	\$227.54	\$307.47	\$75.21	\$232.26	\$75.0	\$75.8	\$59.7	\$71.6
1994	\$316.69	\$94.67	\$222.02	\$316.69	\$88.43	\$228.26	\$77.0	\$78.1	\$56.5	\$74.4
1995	\$326.19	\$111.73	\$214.46	\$326.19	\$103.72	\$222.47	\$78.6	\$80.3	\$53.8	\$77.7
1996	\$335.98	\$131.53	\$204.45	\$335.98	\$121.37	\$214.61	\$79.0	\$81.3	\$50.6	\$80.6
1997	\$346.06	\$154.20	\$191.86	\$346.06	\$141.44	\$204.62	\$77.9	\$81.0	\$47.5	\$83.1
1998	\$356.44	\$180.13	\$176.31	\$356.44	\$164.33	\$192.11	\$75.8	\$79.9	\$44.8	\$86.0
1999	\$367.13	\$209.76	\$157.37	\$367.13	\$190.39	\$176.74	\$71.9	\$77.3	\$41.9	\$88.7
2000	\$378.15	\$243.52	\$134.63	\$378.15	\$219.97	\$158.18	\$66.2	\$73.2	\$39.1	\$91.5
2001	\$389.49	\$281.92	\$107.57	\$389.49	\$253.43	\$136.06	\$58.3	\$67.3	\$36.3	\$94.4
2002	\$401.18	\$325.34	\$75.84	\$401.18	\$291.07	\$110.11	\$47.8	\$59.2	\$33.6	\$97.3
2003	\$413.21	\$374.26	\$38.95	\$413.21	\$333.31	\$79.90	\$34.3	\$48.7	\$30.9	\$100.3
2004	\$425.61	\$429.25	\$ .00	\$425.61	\$380.64	\$44.97	\$18.7	\$35.4	\$28.3	\$103.4
2005	\$438.38	\$490.97	\$ .00	\$438.38	\$433.53	\$4.85	\$16.9	\$18.8	\$25.9	\$107.2
2006	\$451.53	\$560.18	\$ .00	\$451.53	\$492.60	\$ .00	\$15.1	\$15.1	\$23.5	\$111.4
2007	\$465.07	\$637.63	\$ .00	\$465.07	\$558.43	\$ .00	\$13.4	\$13.4	\$21.1	\$115.5
2008	\$479.03	\$724.15	\$ .00	\$479.03	\$631.66	\$ .00	\$11.8	\$11.8	\$19.1	\$120.9
2009	\$493.40	\$820.68	\$ .00	\$493.40	\$713.40	\$ .00	\$10.5	\$10.5	\$16.9	\$126.6
2010	\$508.20	\$928.22	\$ .00	\$508.20	\$803.32	\$ .00	\$8.8	\$8.8	\$14.9	\$132.0
2011	\$523.44	\$1,047.88	\$ .00	\$523.44	\$903.38	\$ .00	\$7.6	\$7.6	\$12.7	\$135.0
2012	\$539.15		\$ .00	\$539.15		\$ .00	\$6.5	\$6.5	\$11.0	\$135.0
2013	\$555.32		\$ .00	\$555.32		\$ .00	\$5.5	\$5.5	\$9.5	\$135.0
2014	\$571.98		\$ .00	\$571.98		\$ .00	\$4.5	\$4.5	\$8.1	\$135.0
2015	\$589.14		\$ .00	\$589.14		\$ .00	\$3.7	\$3.7	\$7.0	\$135.0
2016	\$606.82		\$ .00	\$606.82		\$ .00	\$2.9	\$2.9	\$5.7	\$135.0
2017	\$625.02		\$ .00	\$625.02		\$ .00	\$2.3	\$2.3	\$4.8	\$135.0
2018	\$643.77		\$ .00	\$643.77		\$ .00	\$1.8	\$1.8	\$4.0	\$135.0
2019	\$663.08	continues	\$ .00	\$663.08	continues	\$ .00	\$1.3	\$1.3	\$3.2	\$135.0
2020	\$682.98	to	\$ .00	\$682.98	to	\$ .00	\$ .9	\$ .9	\$2.6	\$135.0
2021	\$703.47	increase	\$ .00	\$703.47	increase	\$ .00	\$ .6	\$ .6	\$2.1	\$135.0
2022	\$724.57		\$ .00	\$724.57		\$ .00	\$ .4	\$ .4	\$1.6	\$135.0
2023	\$746.31		\$ .00	\$746.31		\$ .00	\$ .3	\$ .3	\$1.2	\$135.0
2024	\$768.70		\$ .00	\$768.70		\$ .00	\$ .2	\$ .2	\$ .9	\$135.0
025	\$791.76		\$ .00	\$791.76		\$ .00	\$ .1	\$ .1	\$ .7	\$135.0
026	\$815.51		\$ .00	\$815.51		\$ .00	\$ .0	\$ .0	\$ .4	\$135.0
027	\$839.97		\$ .00	\$839.97		\$ .00	\$ .0	\$ .0	\$ .3	\$135.0
028	\$865.17		\$ .00	\$865.17		\$ .00	\$ .0	\$ .0	\$ .2	\$135.0
029			\$ .00	\$891.13		\$ .00	\$ .0	\$ .0	\$ .1	\$135.0
030			\$ .00	\$917.86		\$ .00	\$ .0	\$ .0	\$ .1	\$135.0
031			\$ .00	\$945.40		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
032			\$ .00	\$973.76		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
033			\$ .00	\$1,002.97		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0
134			\$ .00	\$1,033.06		\$ .00	\$ .0	\$ .0	\$ .0	\$135.0

TOTAL COSTS, 1986-2034: \$1,387.2 \$1,466.8 \$1,131.0 \$5,418.9  
 CONSTANT 1985 DOLLARS, 1986-2034: \$805.32 \$836.9 \$625.01 \$1,391.12  
 PRESENT VALUE, 1986-2034: \$645.82 \$666.3 \$496.88 \$879.78

S:  
 rsons 65 before 1986 grandfathered (i.e., stairstepping starts in 1986). Annual costs include three years of "front loading" (\$25.2 in '87, \$26.5 in '88, and \$27.7 in '89).  
 rsons 65 before 1992 grandfathered (i.e., stairstepping starts in FY 1992).

ared by the Division of Strategic Planning, OMB: 2/ 7/85

4  
6  
Annuity

Dividend Amount

11.92		464	
24.71	107%	510	9%
38.38	55%	550	8%
45.55	19%	597	9%
53.97	18%	655	10%
63.79	18%	715	9%
75.21	18%	782	9%
88.43	16%	853	9%
103.72	17%	933	9%
121.37	17%	1023	10%
141.44	16%	1095	7%
164.33	16%	1183	8%
190.39	16%	1279	8%
219.97	15%	1378	8%
253.43	15%	1481	7%
291.07	15%	1572	6%
333.31	14%	1666	6%
380.64	14%	1761	6%
433.53	14%	1856	5%
492.60	14%	1956	5%
558.43	13%	2053	5%
631.66	13%	2147	5%
713.40	13%	2242	4%
803.32	13%	2334	4%
903.38	12%	2423	4%

33,509

with INT =  $66,910 \div 15 \text{ yrs} \div 12^{\text{m}} = 371^{\frac{72}{12}}$

1) Plan the hearings so that the committee can consider the major issues separately, and so that the public (through TV and other media) can consider this complex issue in bite-size portions. A possible order of presentation:

- \* background/history/recommendations of the longevity bonus task force, including the majority and minority reports;
- \* annuity proposal, by itself, as an investment;
- \* impact on low-income persons and public assistance;
- \* grandfathering of present recipients/phase out alternatives and costs;
- \* teleconference or on-the-road hearings;
- \* mark-up of committee substitute.

2) Keep in mind the goal: achieve significant consensus among the House and Senate leadership and the Governor's office on how to deal with this problem before moving the bill to Senate Finance.

3) Items to consider for each of the hearings. Hearing #1: background/history/recommendations of the longevity bonus task force, including the majority and minority reports.

\* people to testify:

- bill sponsor/Bill Ray
- committee staff/Jon Tillinghast/Paula Scavera/Mil Zahn
- chairman of Senate State Affairs Committee/Mitch Abood
- Governor Sheffield
- Representative Adams
- spokesmen for the two reports/Tillinghast & Vogt vs. Cutler and Hubbard

\* purpose:

- to give the bill sponsor the opportunity to make his case
- to set the stage for later hearings
- to provide an overview of the major issues
- to present Judiciary plan for handling this issue
- to give the Governor a chance to redeem himself

\* objectives

- alot of press
- public understanding of major items of discussion
- agreement on a bottom line (grandfathering)
- demonstrate to committee members that the Judiciary approach will be a fair, dispassionate and thorough one.

4) Items to consider for Hearing #2: annuity proposal, by itself, as an investment.

\* purpose:

- to present the annuity proposal from the perspective of the potential investor (the individual and the State);

\* objectives:

- explain the basic features of the annuity proposal
  - \* Tillinghast
  - \* question and answer memo from Judiciary staff (see addendum)
- present the annuity as one alternative in the world of retirement planning investment options
  - \* representatives from the private sector such as insurance agents, financial planners
  - \* Humphries from Division of Retirement
- explain tax considerations
  - \* task force tax counsel
- explain administrative considerations
  - \* Milt Barker/Treasury
  - \* J.K. Humphries/Retirement and Benefits
  - \* Ervin Jones/Administrative Services
  - \* ~~Lou-Keller/Pioneers-Benefits~~
  - \* ~~Sally-Smith/Public-Services~~
- explain impact on dividend program
  - \* Sally Smith
- explain impact on longevity bonus program

5) Items to consider for Hearing #3: impact on low-income persons and public assistance

\* purpose:

- to make it clear to committee members and the public that the final solution must not have negative effects on poor people;

\* objectives:

- to get consensus on passage of hold harmless legislation;
- to have Rod Betit and John Pugh explain in simple English what the situation is for poor people now and in the future
- compare with the hold harmless law regarding PFD's.

6) Hearing #4: phase-out alternatives/grandfathering/costs

\* purpose:

- to make it clear that all plans would grandfather present recipients;
- to make it clear that all plans contain some element of phase out;
- to describe the different methods of phase out, including costs.

\* objectives:

- have House Research run their numbers on various alternatives
- have Al Adams or Louann Cutler explain stair-stepping
- get the cost discrepancies between the various plans on the table.

7) Question and Answer Memo from Judiciary staff to PMR regarding SB 56 annuity.

- \* What is SB 56?
- \* What is an annuity?
- \* How does this annuity compare with annuities you can buy in the private sector? (see attachment)
- \* As a potential investor, why would I want to invest my money in this plan?
- \* How does an annuity fit into the average person's retirement planning?
- \* What would be the advantage of establishing the annuity plan?
- \* What would be the disadvantages of establishing the annuity plan?
- \* What are the objections to the annuity proposal?
- \* What are the major issues involved here?
- \* Are there any alternatives to the annuity?
- \* Is SB 56 a tax-deferred annuity?
- \* What does tax-deferred mean?
- \* But won't I end up paying more taxes in the future?
- \* When do I pay taxes?
- \* Can't I get a higher interest rate elsewhere on my savings?
- \* Is there any government insurance on an annuity ( like the FDIC, for example)? use the Baldwin example
- \* What will the State annuity program do with my money?
- \* Is my yield guaranteed?
- \* How will I know my balance?
- \* Are there any fees?
- \* Can I make early withdrawals?
- \* Is this a better investment than an IRA or Keogh?

- \* Will the annuity be fixed or variable?
- \* What if I want to change my investment in the future?
- \* But what if I have an emergency, can I get my investment?
- \* What does this have to do with my dividend from the Permanent Fund?
- \* What does this have to do with the longevity bonus?
- \* Is switching allowed in my annuity account? (see Compass II pros.)
- \* What mortality table will be used to determine the annuity payment rates?
- \* How much will it cost to administer this program, and what is the funding source?

8) Other points:

- \* use charts and graphs
- \* contact life insurance agents and get up-to-date real life annuity plans;
- \* tax-deferred annuity - the two words go together, don't they?
- \* major issues:
  - who will benefit from the annuity
  - " " " " " front-loading
  - effect on OAA and Medicaid
  - front-loading
  - changing the dividend program
  - using the money in the undistributed income account
  - tax status
  - participation rate.
- \* consider advocating a statewide vote at the next general election on the question of changing the dividend program.
- \* SB 56 would have the State subsidize individual annuity accounts heavily for pre-65 year olds and less down to 18 year olds (nothing for younger persons or over 65's).
- \* the provision that will change the dividend form so that unless the person checks cash, he will receive annuity credit, will cause huge administrative problems (Sally Smith had 1.5 million phone calls on the Zenith line in FY 84 - this does not include local calls or walk-ins.

\* \* What is the relevance of the 3% escalator?

\* Regarding participation rate, SB 56 only works if the participation rate is high. Without high participation, there will still be huge demands on the general Fund in future years ( and even if participation is high, the people who choose not to participate will be exactly the people who are likely to need State help the most.

\* The lack of favorable tax consideration after the front loading is a major defect.

\*

March 5, 1980

The Alaska Permanent Fund and Management of Alaska's Wealth

This information is provided by Representative Hugh Malone, chairman of the House Special Committee on the Permanent Fund and a member of the free conference committee on the Permanent Fund.

The Alaska Permanent Fund was established by the voters in 1976 to receive at least 25% of all mineral royalties and bonuses. What this means in real terms is that approximately one out of every eight <sup>10</sup> ~~eight~~ dollars which the state receives in oil revenues is deposited in the Permanent Fund. The fund currently contains about \$350 million and is earning interest of over 11%. It is being invested by the Department of Revenue under an interim management plan, and the earnings flow into the general fund. The legislature has yet to decide just how the Permanent Fund shall be invested and managed over the long-run. A free conference committee, of three House and three Senate members, is presently meeting in an attempt to reach agreement on Permanent Fund legislation.

Alaska today is in the unique position of having enough money to adequately provide governmental services; to construct needed capital projects; to eliminate the personal income tax, expand loan opportunities, and return a share of the oil wealth to Alaskans as dividends; and to save a portion of the wealth for the future. Although earnings of the Permanent Fund will never completely replace today's oil revenues, they can go a long way towards helping stabilize the Alaskan economy and reducing the need for personal income tax payments in the

future.

Q. What are the basic components of the House Permanent Fund bill (HCS for SB 161)?

A. The House bill focuses on the management of the Permanent Fund and addresses three major concerns-- safety of principal, accountability, and legislative oversight. The fund would be invested as a trust consisting of a wide variety of quality, high-grade investments. These investments have been described as "squeaky conservative." The House also decided that the fund, because of its fundamentally different goals, should not be invested by the same people who manage money for day-to-day use by the state-- the Department of Revenue-- but should be managed by a public corporation distinct from state government. The proposed Permanent Fund Corporation, with its own board of trustees, would be made accountable in several ways. The House bill also expands the powers and duties of the Legislative Budget and Audit Committee to oversee all lending and investment functions of the state, including those of the Permanent Fund Corporation.

Q. How much money would the House bill deposit into the Permanent Fund?

A. The House bill would raise the contribution level to the Permanent Fund from the current 25% to 50% of all bonuses, 25% of royalties from existing leases, and 50% of royalties from new leases. It's important to remember that 50% of bonuses and royalties actually means about 25% of all oil revenues, so that three-quarters of state revenues would still be going to the general fund for general governmental purposes.

Q. What would be the advantages of investing the Permanent Fund according to the House plan?

A. The Permanent Fund, if invested as an "inviolable trust," would be just as secure as possible and would return substantial earnings to Alaskans. Because the investments would be diversified and would not rise and fall with Alaska's economy, the earnings would be stable. In addition, the establishment of a secure trust would be a sign to the national financial community that Alaska is following a responsible fiscal policy. The passage of the House bill would not preclude aiding the state's economy in other ways as well. Loan programs, capital projects, tax repeals or refunds-- all these can be taken care of through the general fund.

Q. Under the House plan, what would happen to the fund's earnings?

A. The earnings would flow into the general fund, just as they do today. Future legislatures would still have the option of redirecting the earnings. Paying them as dividends to today's Alaskans is one idea.

Q. How does the Hohman bill (SB 1) differ from the House bill?

A. Senator Hohman's bill is an extremely long and complex one which deals only peripherally with the Permanent Fund. SB 1 provides for the elimination of existing loan programs and development authorities and the substitution of a new program combining all loan purposes. The loan program would be tied to the Permanent Fund by using the Permanent Fund earnings to guarantee revenue bonds to fund the loans. The Hohman bill also differs from the House bill in that its Permanent Fund investment list is much broader (and less secure), its contribu-

( tion rate is set at 100% of bonuses and 25% of royalties, and the fund is managed by the Department of Revenue.

Q. What are the House objections to the Hohman bill?

✓ A. The primary objection is that it is concerned much more with the state's loan programs than with the Permanent Fund, and that a free conference committee on the Permanent Fund is not the place to so drastically restructure the loan programs. SB 1 is extremely complex and, if implemented, would have far-reaching consequences for the state's economy and credit rating. Specific problems with the concept include 1) the earnings of the Permanent Fund are put at risk, 2) consolidation of the loan programs does not solve the existing problem of access to them, 3) the programs would receive automatic funding without legislative review, 4) there is no method of prioritization and the different loan programs could not be judged separately on their merits, and 4) municipalities would be encouraged to issue unrestricted debt.

Q. What does the House offer as an alternative to the loan program portion of SB 1?

( A. The House Finance Committee is currently developing a package of loan bills which will address the needs of Alaskans for easily accessible and low-cost loans. Although the details are yet to be worked out, some consolidation will occur and loans will be made available for financing housing and businesses. Emphasis will be placed on ensuring that those people who most needs loans receive them. Interest rates will be reasonable. I feel confident that the House will pass comprehensive and responsible loan legislation within the

next several weeks. I might add that \$35 million a month in state funds is right now available for Alaskan mortgages through HCR 33, sponsored by the House Finance Committee this session.

Q. What does the state's financial picture look like for the next few years?

A. The latest financial projections are very impressive. With the Permanent Fund receiving just 25% of royalties and bonuses and with the earnings being distributed to the public, at the end of 1982 we should have about \$1.2 billion in the Permanent Fund and \$6.7 billion in the general fund. Since, at current growth and inflation rates, \$1.6 billion will be needed to meet the state budget, there will be over \$5 billion extra in the general fund to be appropriated for whatever purposes the legislature desires. While the opportunities for spending money within the state are vast, the legislature also bears an unprecedented responsibility to manage Alaska's new wealth wisely. Setting a portion of it aside in a secure Permanent Fund should be one step in responding to that responsibility.



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Ms. Marsha Hubbard  
Office of the Governor  
Pouch A  
Juneau, Alaska 99811


Dear Ms. Hubbard:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5 and Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,



Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Gregg Erickson  
Principal Analyst  
Office of Management and Budget  
Pouch AM  
Juneau, Alaska 99801

Dear Mr. Erickson:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Jon Tillinghast  
Birch, Horton, Bittner,  
Pestinger and Anderson  
130 Seward, Suite 411  
Juneau, Alaska 99801

Dear Mr. Tillinghast:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

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

Dear Mr. Woodruff:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

David Teal  
Director, House Research Agency  
Pouch Y  
Juneau, Alaska 99811

Dear Mr. Teal:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5 and Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

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Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

John Pugh  
Commissioner, Department of Health  
and Social Services  
Pouch H-01  
Juneau, Alaska 99811

Dear Mr. Pugh:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Tuesday, March 5 and Thursday, March 7. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "P. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Louis Keller  
Director, Division of Pioneers' Benefits  
Department of Administration  
Pouch C  
Juneau, Alaska 99811

Dear Mr. Keller:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "P. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Debra Vogt  
Assistant Attorney General  
Department of Law  
Pouch K  
Juneau, Alaska 99811

Dear Ms. Vogt:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 21 and Wednesday, February 27. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Keith Levy  
Division of Legal Services  
Pouch Y  
Juneau, Alaska 99811

Dear Mr. Levy:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27 and Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Pat".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Ervin Jones  
Director, Division of  
Administrative Services  
Department of Revenue  
Pouch SA  
Juneau, Alaska 99811

Dear Mr. Jones:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patrick M. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Sally Smith  
Director, Division of Public Services  
Department of Revenue  
Pouch SA  
Juneau, Alaska 99811

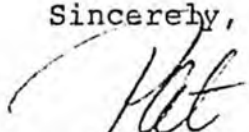
Dear Ms. Smith:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

  
Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Milton Barker  
Deputy Commissioner  
Department of Revenue  
Pouch SB  
Juneau, Alaska 99811

Dear Mr. Barker:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Patrick M. Rodey".

Patrick M. Rodey



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

John George  
Director, Division of Insurance  
Department of Commerce  
and Economic Development  
Pouch D  
Juneau, Alaska 99811

Dear Mr. Barker:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read "P. Rodey".

Patrick M. Rodey

PMR/acp  
Enclosure



Official Business

Committee on Judiciary

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 21, 1985

Ken Humphreys  
Director, Division of  
Retirement and Benefits  
Department of Administration  
Pouch CR  
Juneau, Alaska 99811

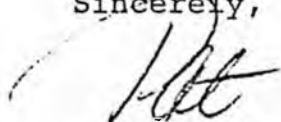
Dear Mr. Humphreys:

The Senate Judiciary Committee is currently in the process of considering CSSB56 (State Affairs), "An Act amending the longevity bonus program and the permanent fund dividend program, establishing an annuity program; and providing for an effective date." Attached is the schedule we will follow to ensure that this bill receives a fair and thorough examination.

We would like to invite you to participate by testifying on this legislation on Wednesday, February 27, and Thursday, February 28. Senate Judiciary Committee hearings are held at 1:30 p.m. in Room 205 of the Capitol.

Please notify the committee secretary (465-3717) if you will be able to attend. Your participation will be greatly appreciated.

Sincerely,

  
Patrick M. Rodey

## SUBJECT SUMMARY

THE CURRENT SUBJECT IS LONGEVITY BONUS

BILL #	TITLE	CURRENT STATUS
HB 210	LONGEV. BONUS, PERM. FUND DIV.; ANNUITIES	(H) SA
HB 212	LONGEVITY BONUS; "HOLD HARMLESS" PROVISION	(H) HESS
SB 56	LONGEV. BONUS; PERM. FUND DIV.; ANNUITIES	(S) JUD
SB 128	LONGEVITY BONUS; ADULT PUBLIC ASSISTANCE	(S) SA

HB 239 Stairstepping -

HCR 16

Introduced: 2/18/85  
Referred: State Affairs,  
Judiciary and Finance

1 IN THE HOUSE

BY TAYLOR AND JENKINS

2

HOUSE BILL NO. 210

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act amending the longevity bonus program and the  
7 permanent fund dividend program, establishing an  
8 annuity program; and providing for an effective  
9 date."

10

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

11

\* Section 1. FINDINGS AND PURPOSE. The legislature finds and declares  
12 that

13

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

18

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

26

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

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

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

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

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

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

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

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

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

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

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

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

10 I certify that

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

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

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

24

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

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

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

1 on behalf of an individual under this section, the public agency shall  
2 hold the dividend in trust for the individual. Money held in trust  
3 under this subsection shall be invested by the commissioner in accor-  
4 dance with AS 37.10.070.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 (c) An individual who is denied assistance solely because perma-  
6 nent fund dividends credited to or received by the individual or by a  
7 member of the individual's household are counted as income or re-  
8 sources under federal law or regulation is eligible for cash assis-  
9 tance under the general relief assistance program (AS 47.25.120 -  
10 47.25.300). Notwithstanding the limit in AS 47.25.30, the individual  
11 is entitled to receive, for a period not to exceed four months, the  
12 same amount as the individual would have received under other public  
13 assistance programs had there been no permanent fund dividend program.

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

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

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

20 ARTICLE 2. ANNUITY PROGRAM.

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

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

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

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

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

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

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

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

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

1 program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5 \* Sec. 23. This Act takes effect immediately in accordance with AS 01.-  
6 10.07 (c).

Introduced: 2/18/85  
Referred: Health, Education &  
Social Services and Finance

BY KOPONEN, CLOCKSIN, DUNCAN,  
GRUENBERG, HURLEY, M.M. MILLER,  
SUND AND TAYLOR

1 IN THE HOUSE

2

HOUSE BILL NO. 212

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the use of longevity bonus pay-  
ments in determining adult public assistance; and  
providing for an effective date."

7

8

9

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

10

\* Section 1. AS 47.45 is amended by adding new sections to read:

11

Sec. 47.45.122. ELIGIBILITY FOR PUBLIC ASSISTANCE. (a) An

12

individual for whom public assistance is denied or reduced solely  
because of the receipt of a bonus by the individual or by a member of  
the individual's household is eligible for assistance under the  
general relief assistance program under AS 47.25.120 - 47.25.300.  
Notwithstanding the limit in AS 47.25.130, the individual is entitled  
to receive the same amount as the individual would have received under  
other public assistance programs had there been no longevity bonus  
program.

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(b) In this section "public assistance" means

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

22

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

23

(3) Adult Public Assistance (AS 47.25.430 - 47.25.615); and

24

(4) Aid To Families With Dependent Children (AS 47.25.310 -

25

47.25.420).

26

Sec. 47.45.124. ELIGIBILITY FOR STATE PROGRAMS. A program

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administered by the state or any of its instrumentalities or municipi-  
palities, the eligibility for which is based on financial need, may

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29

not consider a bonus as income or resources unless required to do so

1       by federal law or regulation.

2       \* Sec. 2. This Act takes effect July 1, 1985.

C O R R E C T I O N

Discard SB 128  
and retain this corrected version.

Introduced: 2/5/85  
Referred: State Affairs, Health  
Education and Social  
Services and Finance

BY HALFORD, RODEY  
KERTTULA AND RAY

1 IN THE SENATE

2 SENATE BILL NO. 128

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the use of longevity bonus pay-  
7 ments in determining adult public assistance; and  
8 providing for an effective date."

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

10 \* Section 1. AS 47.25.430 is amended by adding a new subsection to  
11 read:

12 (e) If the amount of an individual's benefit under 42 U.S.C.  
13 1381 - 1385 (Title XVI, Social Security Act, Supplemental Security  
14 Income Program) is reduced because of longevity bonus payments under  
15 AS 47.45, the department shall increase the individual's assistance  
16 under AS 47.25.430 - 47.25.615 by the amount of the federal reduction.

17 \* Sec. 2. AS 47.25.435 is amended to read:

18 Sec. 47.25.435. EXCLUSION OF INCOME. Notwithstanding the pro-  
19 visions of AS 47.25.430 - 47.25.615, if the applicable provisions of  
20 42 U.S.C. 301 - 1397f (Social Security Act), as amended, permit, in  
21 determining the need of an applicant for, or a recipient of, an assis-  
22 tance grant under AS 47.25.430 - 47.25.615, the department shall  
23 exclude from the computation of the applicant's or recipient's income  
24 the amounts specified in 42 U.S.C. [SEC.] 1382a(b) as amended, amounts  
25 specified in regulations adopted to implement the supplemental securi-  
26 ty income provisions of federal law, longevity bonus payments received  
27 under AS 47.45, and any amounts specified by the department by regula-  
28 tion so long as exclusion of those amounts is not in conflict with  
29 federal law.

1 \* Sec. 3. This Act takes effect July 1, 1985.