

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5106 HSTA SB 56 (FILE 1)

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the other part from the general fund. If an individual decides not to participate, he/she would receive the declining bonus amount.

House CS for CSSB 56 (SA)

This proposal made two changes to the above proposal:

- It changed the amount of the bonus to \$225, and
- It added a new subsection (c) to AS 47.45.015 which broke the tie between the annuity program and the dividend program. The dollar amount subtracted from the ALB each year would be based on a schedule of reductions set out in a House Research memorandum dated May 15, 1987 (see section III). This approach would limit the state's general fund outlay to a known quantity.

The assumption underlying CSSB 56 (Judiciary) was that the permanent fund and dividend programs would not change. If the legislature, in future years, caps the dividend, changes the formula for distribution of earnings, or makes other changes that effect the dividend amount, the annuity would not grow as fast as projected. The result would be an increase in general fund costs and a reduction in the certainty of when the bonus payments would end (for annuity/bonus reduction group).

Observations: Annuity Proposal

- Every year between now and 1995 the cost of the annuity increases;
- The annuity continues full general fund costs for all seniors in the program by 1/1/88;
- Calls for additional general fund monies for seniors who enter the program after 1/1/88;
- Shifting the costs of the program for new entrants from the general fund to the Permanent Fund ignores the Prudhoe Bay revenues/Permanent Fund earnings stream cross-over which occurs around 1994 to 1997. By the year 2000 the Permanent Fund earnings are estimated to be twice the amount of revenue coming from Prudhoe Bay;

- The annuity proposal establishes a "state social security" program only for those Alaskans wealthy enough to forego their PFD today. It says we are willing to provide even more money for those who are more fortunate. It also creates three groups of Alaskans: the "grandparent group", the "reduced-declining bonus" group, and the no bonus group;
- The annuity proposal does not address the loss of federal funds, \$4 million this year, for hold harmless. The cost of "hold harmless" is estimated to increase by about \$500,000 yearly. In addition, it does not address possible Medicaid coverage loss for lower income seniors who do participate in the annuity;
- Low income people under 65 would not choose the annuity option;
- Knowledgeable individuals of any income level may prefer an IRA. House Research points out (87.218) that the same amount of money could be earned by investment of PFDs in an IRA or the annuity plan, but the annuity program offers less individual control and no vested property rights in the investment;
- Unlike an IRA, under the annuity program, the individual cannot transfer the funds to another investment, nor can he/she select the type of investment made;
- Under the annuity proposal, early withdrawal is limited to one time for "an unforeseeable emergency," and only with the approval of the Commissioner of Administration, and
- With low participation, the administrative costs will take a larger chunk of the annuity earnings, leaving less for annuity payments than the proponents of the bill envision.

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Longevity Bonus

III. ALB: LEGISLATIVE PROPOSALS

(see attached memorandum)



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

May 15, 1987

MEMORANDUM

TO: Representative Fran Ulmer

ATTN: Dennis Burns

FROM: Karen Oakley *ko*
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under Senate Bill 56
Research Request 87.303 (Supplemental Information)

You asked us to project the costs of the Alaska Longevity Bonus Program under the Committee Substitute for Senate Bill 56 offered by the Senate Judiciary Committee [CSSB 56 (Jud)] with the following modifications:

- 1) The bonus amount for persons turning 65 years after January 1, 1988 will be calculated by subtracting the maximum possible annuity payment from \$225 rather than from \$250; and,
- 2) The bonus amount for persons 65 years or older by January 1, 1988 will be \$225 rather than \$250.

Attached are the following:

Table 1. Amount of the Monthly Annuity Payments Possible from Investment of Permanent Fund Dividends in Annuity Accounts

Table 2. Comparison of Annual and Cumulative Costs between the Current Longevity Bonus Program and Various Proposals

Figure 1. Comparison of Annual Costs

Figure 2. Comparison of Cumulative Costs

I hope you find this information useful. Please let us know if you need additional information.

Attachments

TABLE 1

Amount of the Monthly Annuity Payments Possible from
Investment of Permanent Fund Dividends in Annuity Accounts

No Change in the Permanent Fund Dividend Program

Bonus amount is \$225 minus the monthly annuity payment.

Fiscal Year	Dividend Received	CASE A			CASE B			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1989	\$794.00	\$847.60			\$847.60			
1990	855.00	1,836.59	\$8.37	216.63	912.71	8.53	8.53	216.63
1991	914.00	2,977.58	18.13	206.87	975.70	9.37	17.91	207.00
1992	913.00	4,220.19	29.40	195.60	974.63	10.24	28.14	196.50
1993	923.00	5,585.31	41.67	183.33	985.30	10.46	38.60	186.40
1994	991.00	7,145.88	55.14	169.86	1057.89	10.83	49.44	175.56
1995	1,071.00	8,932.30	70.55	154.45	1143.29	11.93	61.37	163.63
1996	1,154.00	10,968.10	88.19	136.81	1231.90	13.26	74.64	150.36
1997	1,244.00	13,283.20	108.29	116.71	1327.97	14.71	89.35	135.65
1998	1,340.00	15,909.14	131.14	93.86	1430.45	16.35	105.69	119.31
1999	1,442.00	18,880.30	157.07	67.93	1539.34	18.20	123.89	101.11
2000	1,550.00	22,234.15	186.40	38.60	1654.63	20.27	144.17	30.83
2001	1,653.00	25,999.80	219.52	5.48	1764.58	22.61	166.77	58.23
2002	1,759.00	30,217.51	256.70	0.00	1877.73	25.07	191.84	33.65
2003	1,870.00	34,933.32	298.34	0.00	1996.23	27.77	219.61	5.39
2004	1,986.00	40,197.37	344.90	0.00	2120.06	30.75	250.37	0.00
2005	2,107.00	46,064.35	396.87	0.00	2249.22	33.97	284.34	0.00

Estimates of monthly annuity payments based on Alaska Permanent Fund Dividend Corporation projections of dividend payment (February 28, 1987 Financial Statement) and an interest rate of 9 percent.

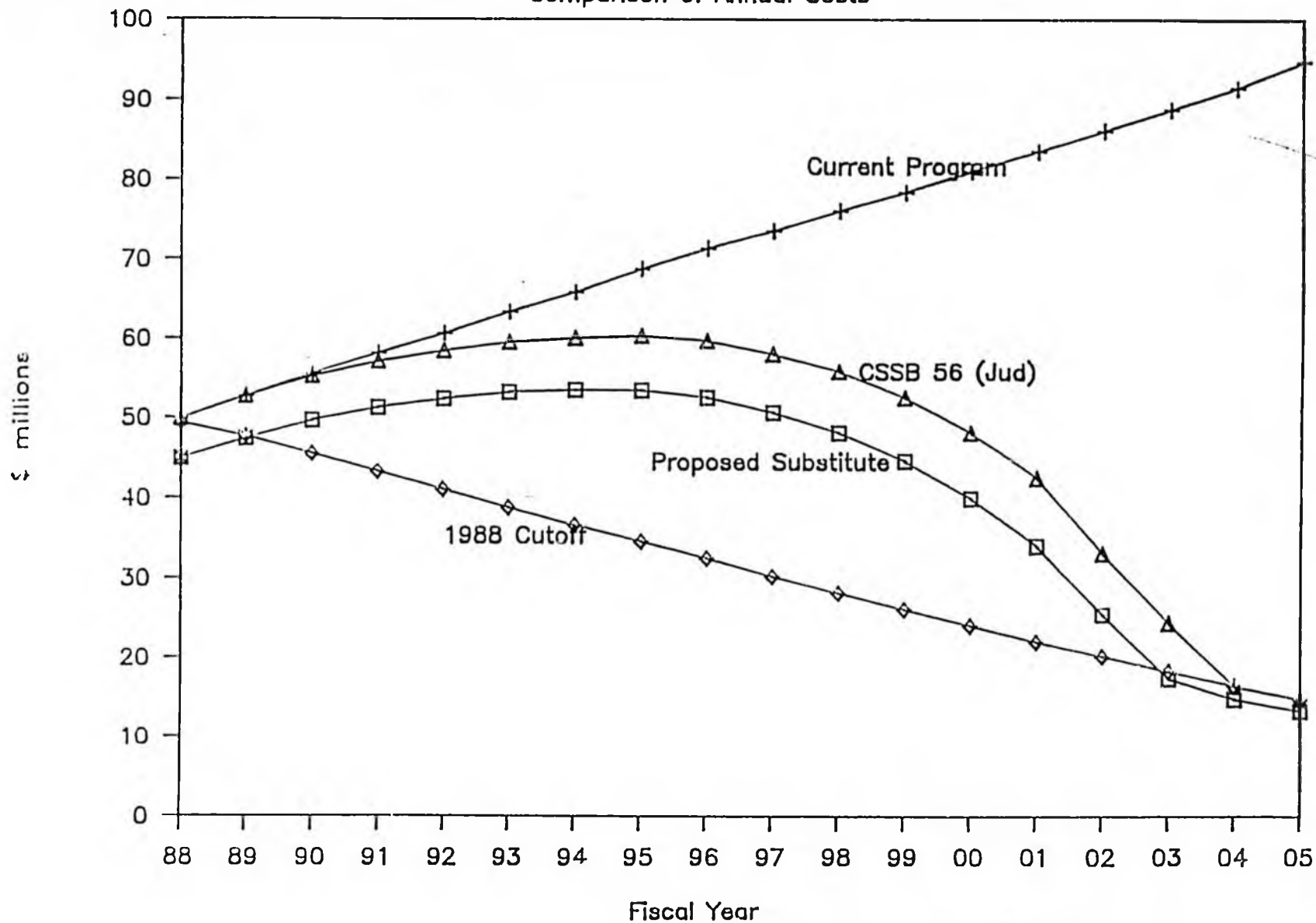
Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1986.

Prepared by the House Research Agency, May 1987 (87-303S; 870330-10).

Comparison of Annual and Cumulative Costs Between the Current Longevity Bonus Program and Various Proposals

Year	Current Program	January 1, 1988 Cutoff Reiger Proposal	HB 151 Governor's Proposal	HB 151 Modifications		Bonus Reduction With Needs	Needs Based No Age Cutoff	--CSSB 56 (Jud)-- Bonus Reduction/ Annuity	SB 56 House Proposed Substitute	
				\$25,000 Income Limit	\$20,000 Income Limit					
				Annual Cost	Annual Cost					
1988	\$49.9	49.3	\$34.5	\$43.1	\$41.8	\$44.9	\$44.9	\$43.8	\$49.9	44.9
1989	52.7	47.7	28.8	35.8	33.4	42.1	45.8	39.8	52.7	47.4
1990	55.6	45.5	27.1	33.7	31.9	38.9	46.7	41.3	55.2	49.7
1991	58.2	43.3	25.4	31.6	29.4	34.9	46.8	42.8	57.1	51.3
1992	60.7	41.1	24.0	29.8	27.5	30.4	46.9	44.3	58.5	52.4
1993	63.4	38.9	22.3	27.6	25.3	25.4	46.0	45.4	59.6	53.3
1994	65.9	36.7	20.9	25.9	23.9	19.8	45.5	46.8	60.1	53.5
1995	68.8	34.6	19.2	23.9	21.8	13.8	44.1	47.9	60.4	53.5
1996	71.4	32.5	17.7	21.9	19.8	7.1	42.0	48.6	59.8	52.6
1997	73.6	30.3	16.4	20.3	18.5	0	0.0	49.7	58.1	50.7
1998	76.1	28.2	15.1	18.8	16.9	0	0.0	51.1	55.9	48.2
1999	78.5	26.1	13.7	17.0	15.2	0	0.0	51.6	52.6	44.7
2000	81.1	24.1	12.6	15.7	14.0	0	0.0	53.2	48.2	40.0
2001	83.6	22.1	11.3	14.0	12.4	0	0.0	53.7	42.6	34.1
2002	85.2	20.2	10.3	12.8	11.3	0	0.0	55.3	33.2	25.5
2003	85.9	18.3	9.2	11.4	10.1	0	0.0	56.2	24.4	17.4
2004	91.6	16.5	8.4	10.4	9.1	0	0.0	58.4	16.5	14.8
2005	94.9	14.8	7.4	9.2	8.0	0	0.0	59.6	14.8	13.3
Cumulative										
Total	\$1,301.1	\$570.2	\$324.3	\$402.9	\$370.3	\$257.3	\$408.7	\$889.5	\$859.5	\$747.5

Figure 1
ALASKA LONGEVITY BONUS
 Comparison of Annual Costs

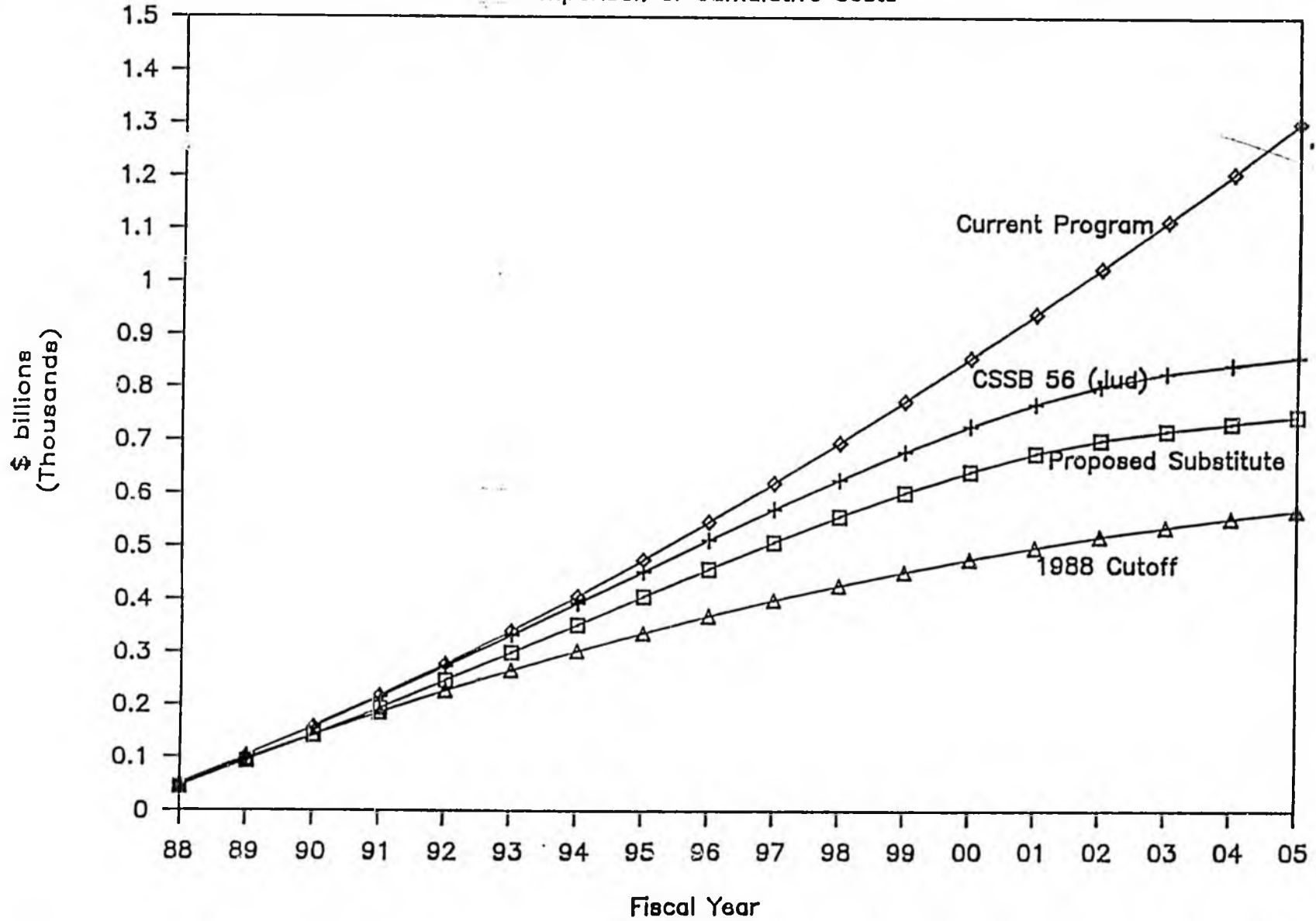


Prepared by the House Research Agency, May 1987.

Figure 2

ALASKA LONGEVITY BONUS

Comparison of Cumulative Costs





ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

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

May 12, 1987

MEMORANDUM

TO: Representative Fran Ulmer

ATTN: Dennis Burns

FROM: Karen Oakley *KO*
Legislative Analyst

RE: Projected Costs of the Longevity Bonus Program Under Senate Bill 56
Research Request 87-303

You asked us to project the costs of the Alaska Longevity Bonus (ALB) Program if modified by the Committee Substitute for Senate Bill 56 offered by the Senate Judiciary Committee [CSSB 56 (Jud)] and dated April 1, 1987 (Attachment A). Committee Substitute for Senate Bill 56 would set a schedule for reducing the amount of the monthly bonus paid to all persons turning 65 years of age after January 1, 1988; the bill would also establish an optional program wherein all persons eligible for a Permanent Fund Dividend (PFD) could elect to set aside each PFD in an annuity account. The relationship between the ALB program and the annuity program is this: the schedule for reducing the bonus amount will be determined by the maximum possible straight life annuity payment under the annuity program. Committee Substitute for Senate Bill 56 (Jud) defines how this maximum possible straight life annuity payment is to be calculated.

Under earlier versions of SB 56, the bonus amount was defined as:

. . . \$250, minus the maximum possible straight life annuity for a person 65 years of age under the annuity program . . .

Committee Substitute for Senate Bill 56 (Jud) now explains that:

. . . The maximum possible straight life annuity equals the amount a person would receive if that person became 65 on January 2, 1988, and contributed 100 percent of all permanent fund dividends or the cash equivalency to the annuity program for every year after December 31, 1987. However, for the purposes of this section the maximum possible straight life annuity may not exceed the amount that a person turning 65 in the current year would receive if that person had contributed 100 percent of all permanent fund dividends or the cash equivalency to the annuity program for every year after December 31, 1987.

Thus, to determine what the bonus amount will be in any year, CSSB 56 (Jud) requires that two maximum possible annuity payments be calculated and compared:

Case A: the payment due a person turning 65 years of age in the current year that has contributed all PFDs received after January 1, 1987 to an annuity account; and

Case B: the payment due a person who turned 65 years of age on January 2, 1988 and who contributed each PFD received after January 1, 1987 to an annuity account.

Committee Substitute for Senate Bill 56 (Jud) specifies that in determining the bonus amount, the maximum possible annuity payment will be the lesser of the amounts paid under the two cases.

In Case B, the individual has an annuity account for each PFD, and the annuity payment received by this individual is the sum of the annuity payments derived from each such account. In calculating the total annuity payment made to this individual, we have assumed that the PFD is deposited into an annuity account in October of each year, accrues interest at a rate of 9 percent through the end of the fiscal year, and that monthly annuity payments begin on July 1. The life expectancy value used to calculate the annuity payment due the individual who turned 65 on January 2, 1988 changes each year.

In Table 1, the maximum possible annuity payments under Case A and Case B are compared based on March 19, 1987 projections of future PFDs by the Permanent Fund Divided Corporation. Only in the first year that annuity payments are made--FY 90--does the amount due the person who turned 65 on January 2, 1988 exceed the amount due the person turning 65 in the current year, and the difference is only a few cents. Because the annuity payments possible under Case B are lower than under Case A, the bonus amount in any year will be greater under Case B, and it will take longer for the bonus program to end. If the bonus amount is calculated using the annuity payable to the person turning 65 in the current year, the bonus program would end in about 2002 because in that year, the annuity amount is projected to exceed \$250. Using the bonus reduction schedule dictated by Case B, the bonus program would not end until about 2004.

In Table 2, the annual and cumulative costs of the ALB program under CSSB 56 (Jud) are compared to the costs of the current program and various other proposals to modify the program. Figure 1 depicts the annual costs of CSSB 56 (Jud), the current program, and CSHB 151 (Fin), which modifies the current program by requiring all recipients to turn 65 years prior to January 1, 1988; Figure 2 depicts the cumulative costs

Representative Ulmer
May 12, 1987
Page 3

Because the bonus amount is predicated on annuity accounts built from PFDs, projections of the costs of the ALB program under CSSB 56 (Jud) are necessarily sensitive to the projections of future PFDs amounts. Various proposals to change the proportion of Permanent Fund earnings available for dividends have been considered by the legislature this year. To provide an indication of how changes in the PFD amounts will affect the ALB program under CSSB 56 (Jud), we have projected the costs of the ALB program using PFD projections under two scenarios:

40%-30%-30%: 40 percent of the earnings go to dividends, 30 percent to inflation proofing, and 30 percent to reserves; and,

50%-50%: 50 percent of the earnings go to dividends and 50 percent to the General Fund after full inflation proofing.

(See House Research Memorandum 87-174 for further information on these scenarios.)

Figure 3 compares the annual costs of CSSB 56 (Jud) using these differing PFD projections to the costs of the current program and the program under CSHB 151 (Fin). Figure 4 compares the cumulative costs. The effect of both the 40-30-30 and 50-50 proposals is to reduce the PFD amount in comparison to the current program. Because the PFD amounts determine the maximum possible annuity payments which in turn dictate the bonus amount, the longevity bonus program would cost more and take longer to end if dividends are reduced.

The link between the PFD program and the ALB program established by CSSB 56 is forged solely to provide a formula for reducing the bonus amount--ALB recipients are not required to set aside their PFDs in an annuity. The fact that the two programs are linked adds considerable uncertainty to the bonus program as modified by CSSB 56. One option for accomplishing what CSSB 56 does--but without the uncertainties caused by the link with the PFD program--would be to simply replace the relevant phase-out language in the bill with a schedule for reducing the bonus amount.

I hope you find this information useful. If you need any additional information, please let me know.

Attachments

TABLE 1

Amount of the Monthly Annuity Payments Possible from Investment of Permanent Fund Dividends in Annuity Accounts

No Change in the Permanent Fund Dividend Program

Fiscal Year	Dividend Received	CASE A			CASE B			
		Person turning 65 in current year			Person Turning 65 on 1-2-99			
		Annuity Balance at Interest Rate of 9.0%	Monthly Annuity Payment	Monthly Longevity Bonus Amount	Balance of prior year's annuity account on July 1	Payment from prior year's account	Combined Monthly Annuity Payment	Monthly Longevity Bonus Amount
1989	\$794.00	\$847.60			\$847.60			
1990	855.00	1,836.59	\$8.37	241.63	912.71	8.53	3.53	241.47
1991	914.00	2,977.58	18.13	231.87	975.70	9.37	17.91	232.09
1992	913.00	4,220.19	29.40	220.60	974.63	10.24	28.14	221.36
1993	923.00	5,585.31	41.67	208.33	985.30	10.46	33.60	211.40
1994	991.00	7,145.88	55.14	194.86	1057.89	10.93	49.44	200.56
1995	1,071.00	8,932.30	70.55	179.45	1143.29	11.93	61.37	189.63
1996	1,154.00	10,968.10	88.19	161.81	1231.90	13.26	74.64	175.36
1997	1,244.00	13,283.70	108.29	141.71	1327.97	14.71	89.35	160.65
1998	1,340.00	15,909.14	131.14	118.86	1430.45	16.35	105.69	144.31
1999	1,442.00	18,880.30	157.07	92.93	1539.34	18.20	123.89	126.11
2000	1,550.00	22,234.15	186.40	63.60	1654.63	20.27	144.17	105.83
2001	1,653.00	25,999.80	219.52	30.48	1764.58	22.61	166.77	83.23
2002	1,759.00	30,217.51	256.70	0.00	1877.73	25.07	191.34	53.16
2003	1,870.00	34,933.32	298.34	0.00	1996.23	27.77	219.61	30.39
2004	1,986.00	40,197.37	344.90	0.00	2120.06	30.75	250.37	0.00
2005	2,107.00	46,064.35	396.87	0.00	2249.22	33.97	284.34	0.00

Estimates of monthly annuity payments based on Alaska Permanent Fund Dividend Corporation projections of dividend payment (February 28, 1987 Financial Statement) and an interest rate of 9 percent.

Life expectancy values were provided by the Alaska Department of Labor, Demographic Report No. 1, December 1985.

Prepared by the House Research Agency, May 1987 (87-303A; 370330-10).

Comparison of Annual and Cumulative Costs between the Current Longevity Bonus Program and Various Proposals

Fiscal Year	Current Program Annual Cost	January 1, 1988 Cutoff Reiger Proposal Annual Cost	HB 151 Governor's Proposal Annual Cost	HB 151 Modifications		Bonus Reduction Annual Cost	Bonus Reduction With Needs Annual Cost	Needs Based No Age Cutoff Annual Cost	CSSB 56 (Jud) Bonus Reduction/Annuity Annual Cost
				\$25,000 Income Limit	\$20,000 Income Limit				
				Annual Cost	Annual Cost				
1988	\$49.9	49.3	\$34.5	\$43.1	\$41.8	\$44.9	\$44.9	\$43.8	\$49.9
1989	52.7	47.7	28.8	35.8	33.4	42.1	45.8	39.8	52.7
1990	55.6	45.5	27.1	33.7	31.9	38.9	46.7	41.3	55.2
1991	58.2	43.3	25.4	31.6	29.4	34.9	46.8	42.8	57.1
1992	60.7	41.1	24.0	29.8	27.5	30.4	46.9	44.3	58.5
1993	63.4	38.9	22.3	27.6	25.3	25.4	46.0	45.4	59.6
1994	65.9	36.7	20.9	25.9	23.9	19.8	45.5	46.8	60.1
1995	68.8	34.6	19.2	23.9	21.8	13.8	44.1	47.9	60.4
1996	71.4	32.5	17.7	21.9	19.8	7.1	42.0	48.6	59.8
1997	73.6	30.3	16.4	20.3	18.5	0	0.0	49.7	58.1
1998	76.1	28.2	15.1	18.8	16.9	0	0.0	51.1	55.9
1999	78.5	26.1	13.7	17.0	15.2	0	0.0	51.6	52.6
2000	81.1	24.1	12.6	15.7	14.0	0	0.0	53.2	48.2
2001	83.6	22.1	11.3	14.0	12.4	0	0.0	53.7	42.6
2002	85.2	20.2	10.3	12.8	11.3	0	0.0	55.3	33.2
2003	88.9	18.3	9.2	11.4	10.1	0	0.0	56.2	24.4
2004	91.6	16.5	8.4	10.4	9.1	0	0.0	58.4	16.5
2005	94.9	14.8	7.4	9.2	8.0	0	0.0	59.6	14.8
CUMULATIVE TOTAL	\$1,301.1	\$570.2	\$324.3	\$402.9	\$370.3	\$257.3	\$408.7	\$889.5	\$859.5

Prepared by The House Research Agency, May 1987 (87-3038; 860330-10).

Figure 1
ALASKA LONGEVITY BONUS

Comparison of Annual Costs:

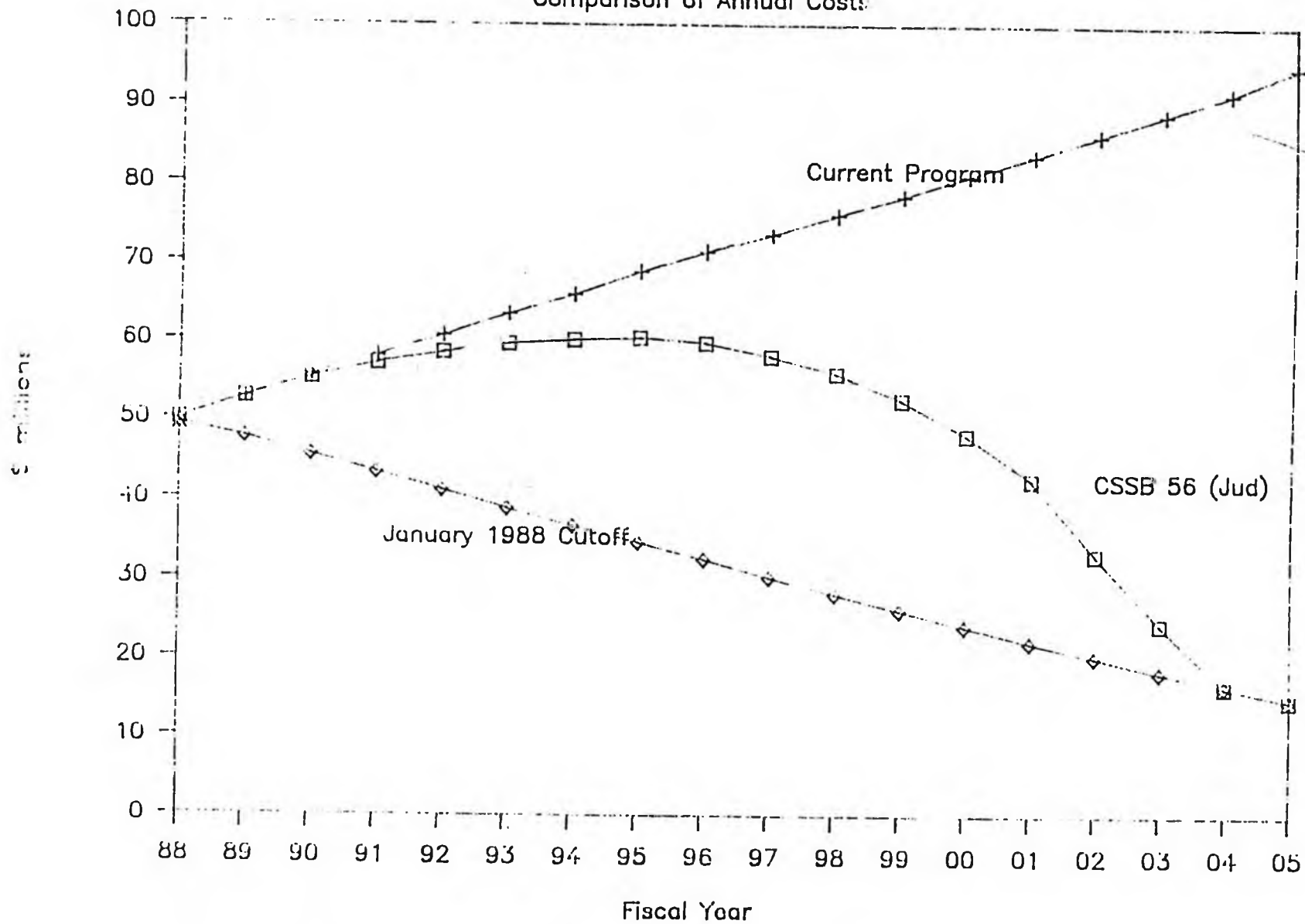


Figure 2
ALASKA LONGEVITY BONUS

Comparison of Cumulative Costs

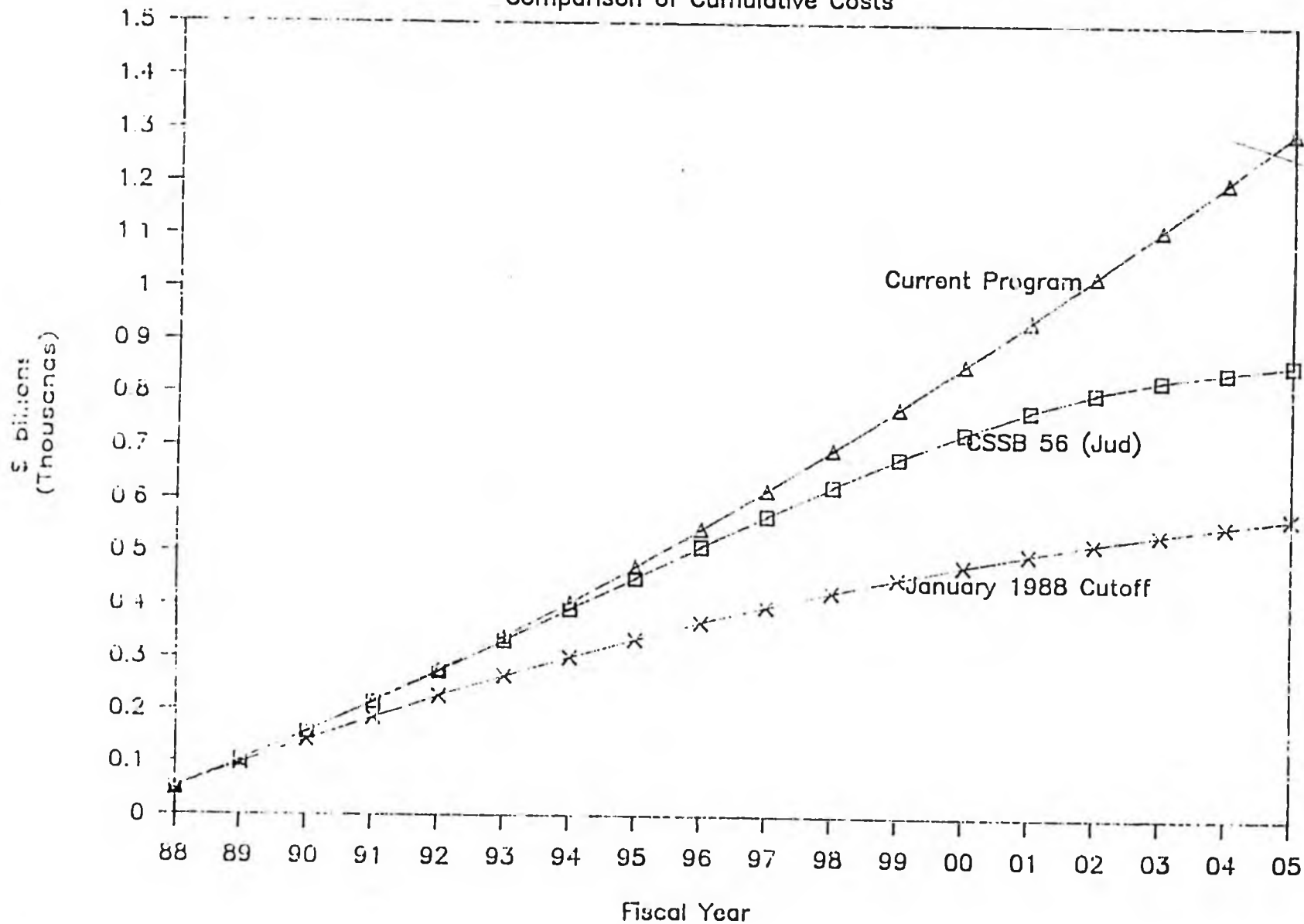
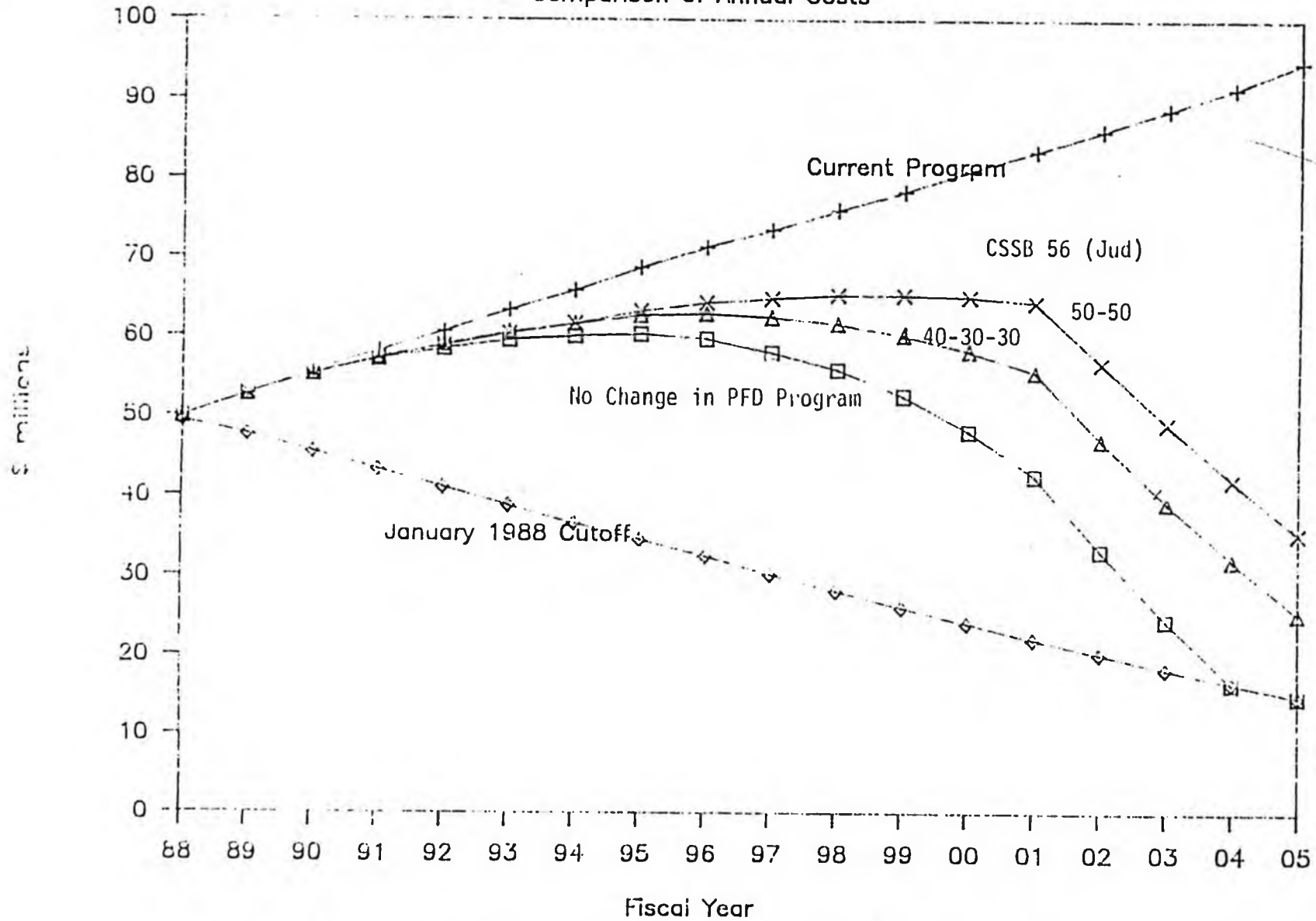


Figure 3
ALASKA LONGEVITY BONUS
 Comparison of Annual Costs

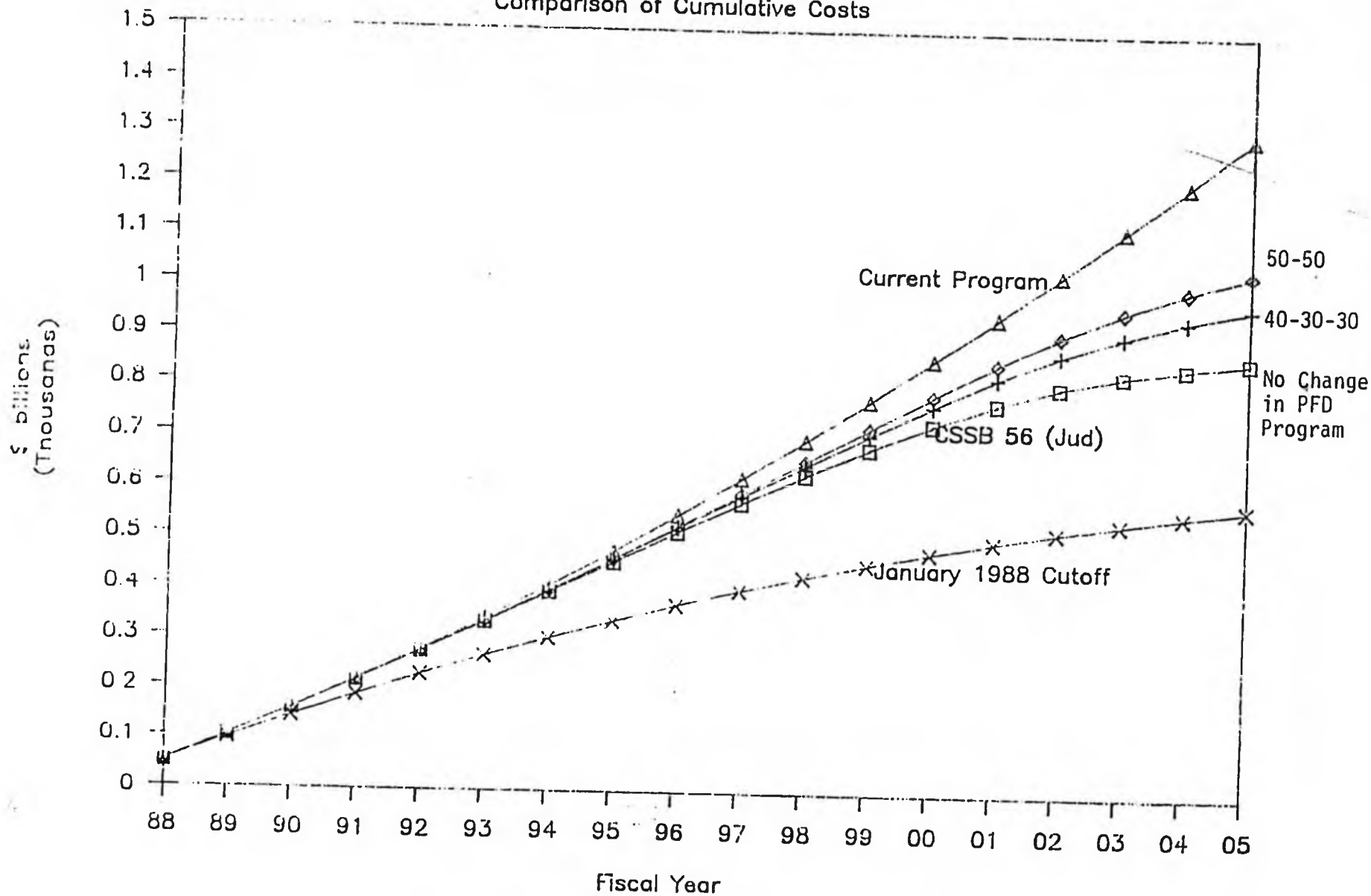


Prepared by the House Research Agency, May 1987.

Figure 4

ALASKA LONGEVITY BONUS

Comparison of Cumulative Costs



Prepared by the House Research Agency, May 1987.



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ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

THIS MEMO CONCERN
COSTS OF GRANTS
ONLY ON A LOW
TERM BASIS.

April 30, 1987

MEMORANDUM

TO: Representative Al Adams

ATTN: Louann Cutler

FROM: Karen Oakley ^{KO}
Legislative Analyst

RE: Projected Costs of the Alaska Longevity Bonus Program Under
Proposed Modifications of House Bill 151
Research Request 87.231 (Supplemental Information)

You asked us to prepare a table and figures comparing the annual and cumulative costs of the Alaska Longevity Bonus Program and the various proposals to modify the program currently being considered by the legislature. The following proposals were analyzed:

- 1) **Current Program.** All persons 65 years of age or older receive \$250 per month for the remainder of their lives.
- 2) **Governor's Proposal.** House Bill 151, proposed by Governor Cowper, would provide a bonus only to individuals who turn 65 prior to January 1, 1988 and who have an adjusted gross income of less than \$25,500. The bonus amount would vary from \$200 to \$17 per month depending upon the recipient's income.
- 3) **House Bill 151 Modification: \$25,000 income limit; \$250 bonus.** Persons must turn 65 years prior to January 1, 1988 to be eligible for the bonus. Persons with incomes of \$20,000 or less would receive a monthly bonus of \$250; persons with incomes greater than \$20,000 but less than \$25,000 would receive a reduced monthly bonus varying between \$25 and \$225; and persons with incomes greater than \$25,000 would be ineligible.
- 4) **House Bill 151 Modification: \$20,000 income limit; \$250 bonus.** Persons must turn 65 years prior to January 1, 1988 to be eligible. Persons with incomes of \$20,000 or less would receive a monthly bonus of \$250; persons with incomes greater than \$20,000 would be ineligible.

- 5) **Bonus Reduction.** All persons 65 years or over would be eligible to receive the bonus. The bonus amount would start at \$225 per month in FY/88 and be reduced \$25 each year until reaching zero in FY 97. (This proposal has also been referred to as Phase-out.)
- 6) **Bonus Reduction with Needs.** All persons 65 years or older with incomes of \$20,000 or less would receive a bonus of \$225. Persons with incomes greater than \$20,000 would receive a monthly bonus of \$225 in FY 88; in subsequent years, the bonus amount would be reduced by \$25 each year until the bonus amount reaches zero in FY 97. In FY 97, once the bonus amount reaches zero for all recipients with incomes greater than \$20,000, the bonus program ends.
- 7) **Needs Based; No Age Cutoff.** All persons 65 years and over would be eligible to receive a monthly bonus of \$250 if their income is \$20,000 or less. Persons with incomes greater than \$20,000 and less than \$25,500 would be eligible for a reduced monthly bonus, and persons with incomes greater than \$25,500 would be ineligible.
- 8) **Bonus Reduction/Annuity Program.** Under the Committee Substitute for Senate Bill 56 (CSSB 56), all persons 65 years of age or older on January 1, 1988 will receive \$250 per month for the remainder of their lives. For those persons turning 65 years after January 1, 1988, the bonus amount is reduced in each year by the maximum possible straight-life annuity payment that would be due a 65-year-old who had invested all Permanent Fund Dividends received after December 1987 in an annuity account. Once a person turns 65 years old and begins to receive the bonus, the bonus amount would not change. In FY 2003, the bonus amount is projected to reach zero, so anyone turning 65 after 2003 would not be eligible to receive the bonus. Although this proposal is commonly referred to as the "annuity" program, the primary effect of CSSB 56 is to reduce the bonus amount gradually over the next 15 years; the Permanent Fund Dividend annuity program simply provides the schedule for reducing the bonus amount.

Attached are the following:

Table 1. Comparison of Annual and Cumulative Costs between the Current Longevity Bonus Program and Various Proposals.

Figure 1. Comparison of Annual Costs.

Figure 2. Comparison of Cumulative Costs.

I hope you find this information useful. If you need any additional information, please let me know.

Attachments

Table 1
Comparison of Annual and Cumulative Costs Between the Current Longevity Bonus Program and Various Proposals

Fiscal Year	Current Program		HB 151 Governor's Proposal		HB 151 Modifications				Bonus Reduction		SUND Needs Based No Age Cutoff		CSSB 56 Bonus Reduction/Annuity			
	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	\$25,000 Income Limit		ADAMS \$20,000 Income Limit		With Needs		No Age Cutoff		Annuity			
					Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost	Annual Cost	Cumulative Cost
1968	32.9	32.9	34.5	34.5	43.1	43.1	41.8	41.8	44.9	44.9	44.9	44.9	43.8	43.8	49.9	49.9
1969	52.7	85.6	28.8	63.3	35.8	78.9	33.4	75.2	42.1	87.0	45.8	90.7	39.8	83.6	53.8	103.7
1970	55.0	138.2	27.1	90.4	33.7	112.6	31.9	107.1	38.9	125.9	46.7	137.4	41.3	124.9	57.0	160.7
1971	58.0	210.4	25.4	115.8	31.6	144.2	29.4	136.5	34.9	160.8	46.8	184.2	42.8	167.7	59.6	220.3
1972	56.7	277.1	24.0	139.8	29.8	174.0	27.5	164.0	30.4	191.2	46.9	231.1	44.3	212.0	61.8	282.1
1973	55.5	340.5	22.3	162.1	27.6	201.6	25.3	189.3	25.4	216.6	46.0	277.1	45.4	257.4	63.9	346.0
1974	55.9	402.4	20.9	183.0	25.9	227.5	23.9	213.2	19.8	236.4	45.5	322.6	46.8	304.2	65.3	411.3
1975	55.5	475.2	19.2	202.2	23.9	251.4	21.8	235.0	13.9	250.2	44.1	366.7	47.9	352.1	66.8	478.1
1976	71.5	546.6	17.7	219.9	21.9	273.3	19.8	254.8	7.1	257.3	42.0	408.7	48.6	400.7	67.5	545.6
1977	55.0	620.2	16.4	236.3	20.3	293.6	18.5	273.3	0	257.3	0.0	408.7	49.7	450.4	67.6	613.2
1978	55.1	696.3	15.1	251.4	18.8	312.4	16.9	290.2	0	257.3	0.0	408.7	51.1	501.5	67.3	680.5
1979	78.5	774.8	13.7	265.1	17.0	329.4	15.2	305.4	0	257.3	0.0	408.7	51.6	553.1	66.3	746.8
1980	51.1	855.9	12.6	277.7	15.7	345.1	14.0	319.4	0	257.3	0.0	408.7	53.2	606.3	64.7	811.5
1981	53.0	959.5	11.3	289.0	14.0	359.1	12.4	331.8	0	257.3	0.0	408.7	53.7	660.0	62.3	873.8
1982	55.2	1,025.7	10.3	299.3	12.8	371.9	11.3	343.1	0	257.3	0.0	408.7	55.3	715.3	59.1	932.9
1983	58.9	1,115.6	9.2	308.5	11.4	383.3	10.1	353.2	0	257.3	0.0	408.7	56.2	771.5	55.4	988.3
1984	51.0	1,202.2	8.4	316.9	10.4	393.7	9.1	362.3	0	257.3	0.0	408.7	58.4	829.9	51.9	1,040.2
1985	54.7	1,303.1	7.4	324.3	9.2	402.9	8.0	370.3	0	257.3	0.0	408.7	59.6	889.5	48.5	1,088.7

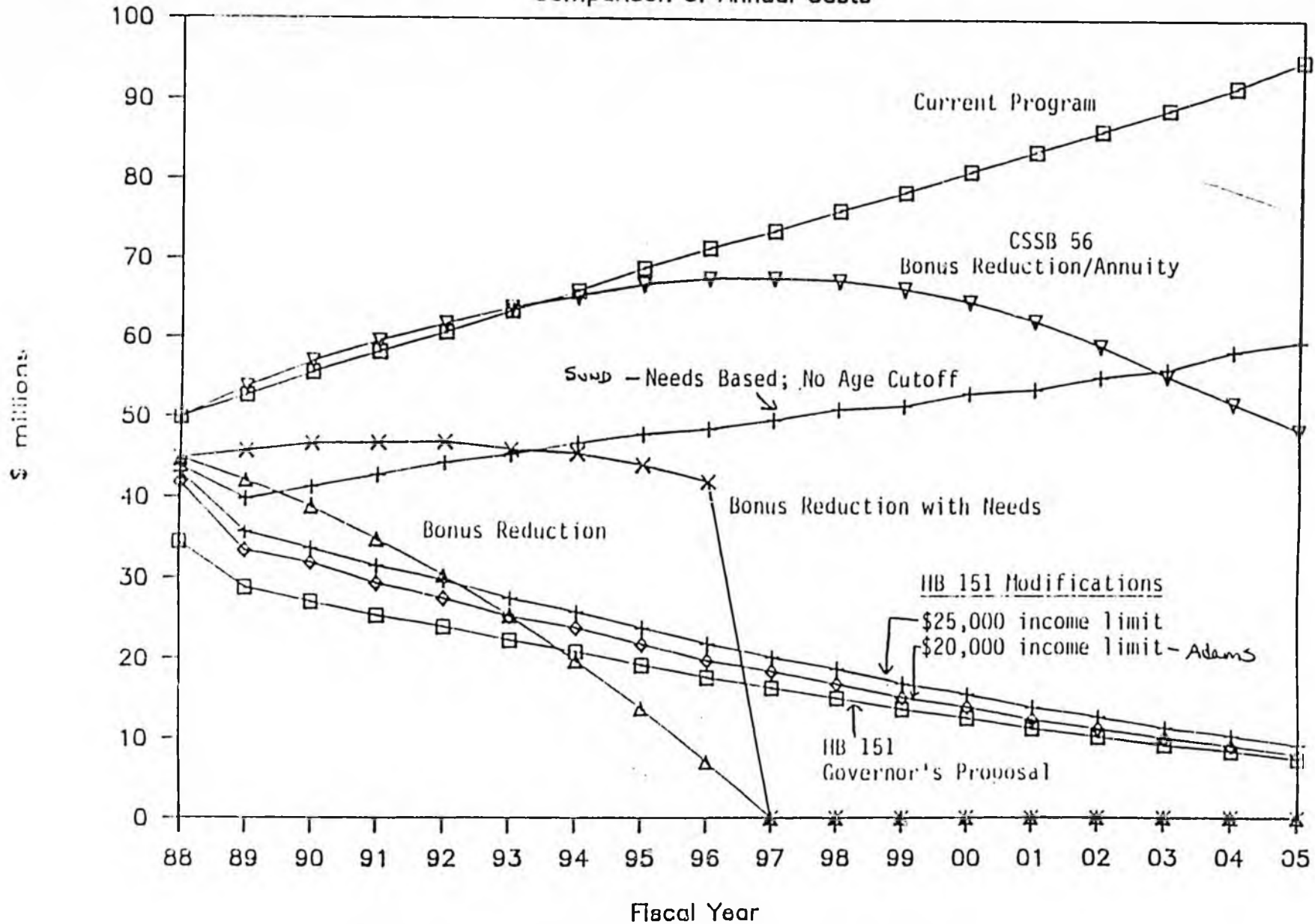
NOTE: Population figures used to project the costs of the program under the Committee Substitute for Senate Bill 56 were slightly different from the population figures used to project costs of the other proposals.

Prepared by the House Research Agency, April 1987 (87-23152; 860330-03).

FIGURE 1

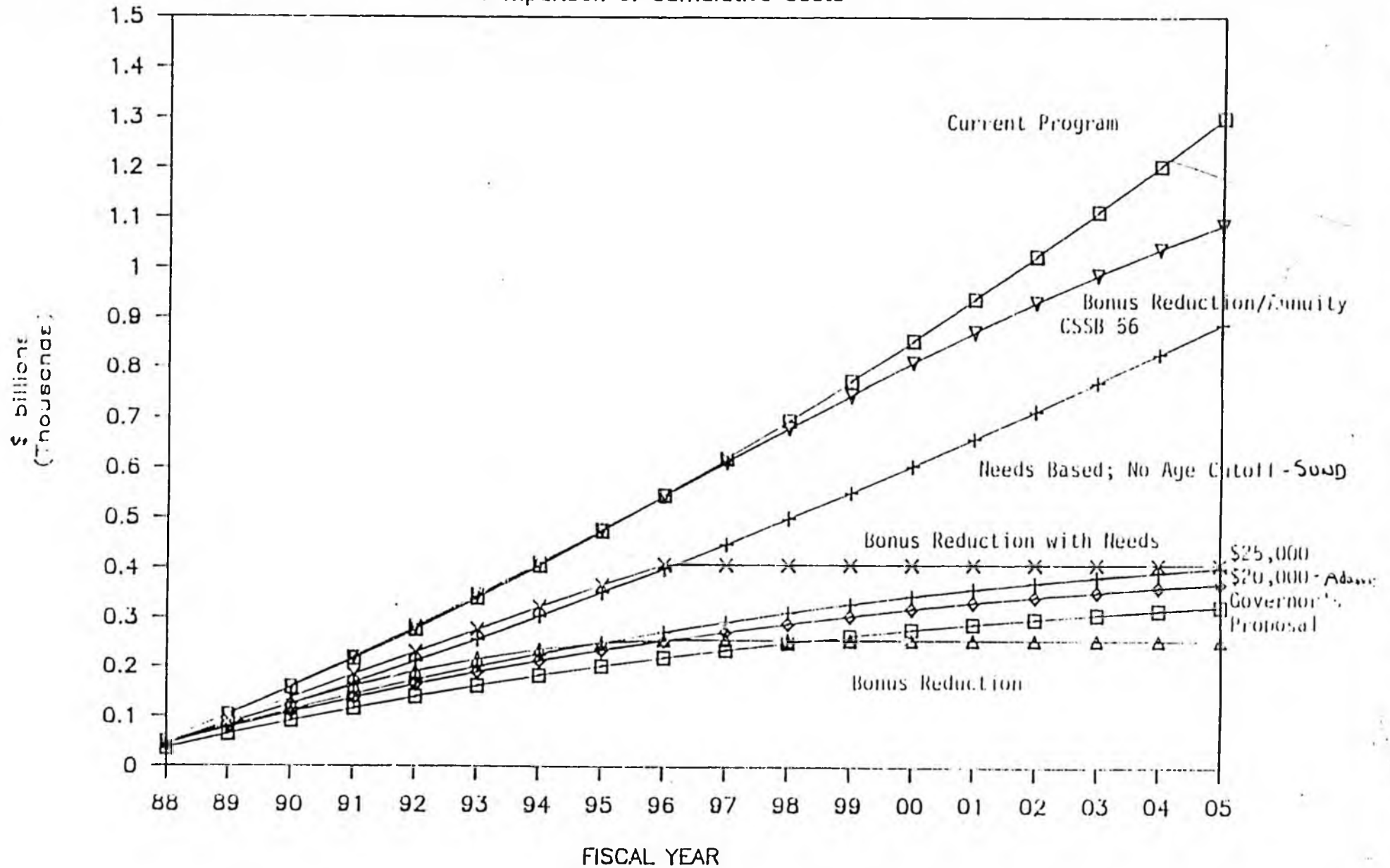
ALASKA LONGEVITY BONUS

Comparison of Annual Costs



Prepared by the House Research Agency, April 1987.

FIGURE 2
 Alaska Longevity Bonus
 Comparison of Cumulative Costs



Prepared by the House Research Agency, April 1987.

IV. ALB: PUBLIC PROPOSALS AND SUGGESTIONS

Clem Tillion: "When the state received the first big oil bonanza, some nine hundred million...some of us wanted to save a portion of this windfall like the PF of today so the first ALB bill which paid a bonus to our pioneer was to be funded from the earnings of \$100 million placed in a PF with the understanding that if earnings dropped the pioneers might really receive less".

Ben Engdal: "Enact legislation changing the name of the ALB program to the Permanent Fund Social Security Act. Which will have as its objective to provide for all qualified senior citizens of Alaska upon reaching the age of 65 the sum of \$250 per month thereafter. The money needed to fund this program would be provided by a grant from the present PFD program, now disbursed in its entirety to all the residents of the state, in effect making every recipient of the dividend a contributor to his or her own retirement at age 65. A minimum 3 year residency should be required..to discourage elderly out-or-state people from moving here...".

Jay Hammond: "Rename the LB program 'The Territorial Pioneer Service Award'. Any current residents, age 65 or over who upon demand can demonstrate that they were simply here in Alaska for a period of at least 6 months during territorial days - whether or not as an Alaska resident - would qualify. This way the major stumbling block of duration residency would be eliminated. Legislative intent would at least be partly accommodated, and the count down to close out on pioneer programs begun and cost greatly reduced. In the process the pride of all those who have made worthy contributions during territorial days would be duly sustained. Should the governor then wish to provide aid to other elderly based on need, fine. However, let's call it something entirely different".

Page 13
Longevity Bonus

V. ATTACHMENTS

- Letter To Seniors
- Pioneer Benefits questions and answers regarding the ALB

*For Committee
File*



Alaska State Legislature

House

Official Business

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

COMMITTEE ON STATE AFFAIRS

September 14, 1987

Evelyn Hamlin
612 West 10th
Juneau, AK 99801

Dear Evelyn:

I would like to take this opportunity to thank the seniors of Alaska for your cooperation and participation during the last legislative session and request your continued assistance in resolving important issues facing the State of Alaska. You can assist by providing your input to the questions below and sending your comments which I will share with the House State Affairs Committee.

As you already know, we are at a crossroad in the State's delivery of programs to all Alaska residents. Revenues, which for a period of time exceeded expenditures, have declined below the current level of State spending. As a senior resident of Alaska, you have closely followed those programs that affect you directly, and have provided valuable insights and suggestions on how these programs could be improved.

The above programs include: the Longevity Bonus program, Pioneers' Homes, Older Alaskans Commission, Homeowner's Property Tax Exemption, Renter's Equivalency Rebate, Water and Sewer Assessment (currently not funded), Motor Vehicle Exemption (currently not funded), Adult Public Assistance Payments to the Aged, Old Age Assistance, Personal Care Attendants, Home Health, Public Health Nursing, Adult Homemaker Services, and Senior Centers.

September 14, 1987

Page 2

Question: Which of the above senior programs do you believe are the most important for the State to continue to support and at what financial level? What programs do you believe should be expanded if additional funds are available, and which could be reduced if we have fewer dollars to spend?

Whatever the price of oil, the State will have to reduce total expenditures because of the decline in production of Prudhoe Bay oil in the 1990's. The Legislature spent considerable time last session analyzing the State's financial situation and all program expenditures. Of particular concern are programs that are rapidly expanding in cost, like the Longevity Bonus. (Please see the enclosed summary.) For example, many alternative proposals were offered regarding the Longevity Bonus program, not only by legislators, but by seniors and senior organizations, yet no one could agree on what approach would be best.

Question: If the current Longevity Bonus program must be changed to reduce the cost of the program, how could it be structured to best meet the needs of Alaska's seniors?

As noted above, the Longevity Bonus issue was not resolved during the last legislative session. The Governor's "needs based" approach, the Senate's annuity option, and various other alternatives have been returned to the House State Affairs Committee for additional work. The House State Affairs Committee will be holding a work session in Fairbanks on November 16 and Anchorage on November 17 to discuss these proposals. Public testimony will be received at these hearings. Your written comments and suggestions would be appreciated and may be sent to House State Affairs, P.O. Box V, Juneau, AK 99811.

The contribution of seniors to our state is very important--not just for what you have contributed in the past, but for what you can help with now. It cannot be stressed enough that seniors who live in Alaska contribute greatly to the Alaska economy and provide a wealth of knowledge and experience. Please share some of this knowledge and experience by writing to me with your thoughts and suggestions.

Sincerely,

Fran Elmer, Chair
House State Affairs Committee

Enclosure
File: Longevity Bonus

Pioneers' Benefits answers bonus questions

Editor's note: Nearly 17,000 older Alaskans now receive Alaska's Longevity Bonus of \$250 a month. Officials for the program say they answer many of the following questions every day. Both questions and answers were prepared by staff of the Division of Pioneers' Benefits.

Q. What is the Longevity Bonus?

A. It is a monthly payment provided by the state to qualified people as an incentive to remain in Alaska.

Q. Who can receive the bonus?

A. Alaska residents who have reached age 65 and have lived in Alaska for at least one year immediately preceding application.

Q. How much is the bonus and how is it paid?

A. \$250 a month. It is paid by check, mailed to your Alaska address. It cannot be mailed to a bank or to an address outside of Alaska.

Q. Do I have to be retired to receive the bonus?

A. No. Retirement is not a requirement.

Q. Do only needy people receive the bonus?

A. No. The bonus is not based on need and is not considered a form, type or manner of public relief.

Q. Will the bonus affect my right to other benefits?

A. It may. You must report it when you apply for other benefits because many agencies include the bonus as part of your income when they figure your entitlement to other benefits.

Q. Do I have to pay taxes on the bonus?

A. The federal government considers the bonus as income for tax purposes, so it must be reported. You should ask your nearest Internal Revenue office to answer your tax questions.

Q. Will I continue to get the bonus if I move into the Pioneer's Home?

A. Yes, unless you are in the nursing wing.

Q. If I am in a nursing home, will I receive the bonus?

A. No. In 1985 the Legislature passed a law that prohibits persons in nursing homes from receiving the bonus.

Q. Can I apply before I am eligible?

A. No. You should apply the month you become 65 or the month you complete your 12 months as a resident of Alaska.

Q. How can I prove my age?

A. With your application you should send the bonus program an original or a true copy of your birth certificate, delayed birth certificate, school records, U.S. census records, U.S. Social Security records, Bible or family records, court records, organization records, military records or other documents that make clear these are true. The program will try to correct them when you may have your age.

Q. How do I prove I have lived in Alaska the required time?

to tell when your Alaska residence began and to list your home addresses since your Alaska residence began.

Q. I was out of Alaska during the last year. Do I qualify to receive the bonus?

A. On your application you must tell the program about any absences during the one-year period which were over 30 days. If you were out of the state over 90 days, you must remain in the state 12 months from your return date in order to qualify.

Q. I lived in Alaska continuously for 25 years and then moved away. Can I return to Alaska and claim the bonus?

A. Yes, if you can show you returned to take up permanent residence in Alaska again and have abandoned your legal home elsewhere and have completed your one-year residence requirement.

Q. After I apply, when will I receive my first payment?

A. The first of the month after you prove you have completed all requirements.

Q. I was eligible three months ago, but I just sent in my application. Will I receive back payments?

A. No back payments are made for time before an application is received by the bonus office.

Q. Are the checks sent automatically, or do I have to reapply each month?

A. You must personally reapply each month. Attached to each check is a reapplication stub which you must sign yourself and mail back to the bonus office in order to receive your next month's check. If the stub does not reach the bonus office by the 15th of the month, your next check will not be printed.

Q. Can someone else sign my stubs?

A. No, you must sign them yourself. A power of attorney cannot be used. The only person who can sign your stubs for you is your guardian or a conservator who has been appointed by the court. If you can't write your name, you may mark an X if the stub is also signed by two people not related to you who watched you make your mark.

Q. If I lose or destroy my stub, what can I do?

A. Tell the bonus office as soon as you can. Your next payment can be approved without your stub if you are in Alaska. You may call the nearest governor's office or senior center to help you contact the bonus office.

Q. I am a subsistence fisherman. How can I reapply if I am away from home for two or three months at a time?

A. If you do not leave Alaska, you should let the bonus office know you are leaving home. They will then approve your payments and mail them to you when you return. If you are notified again.

Q. What if I go to visit in another town and won't be home when the check comes?

they can mail the check to you when you are home again or mail it to you at your temporary location.

Q. I am receiving the bonus now, and I have to leave Alaska. How long can I be gone without losing a payment?

A. You can be gone up to 30 days without losing a payment.

Q. How many payments will I miss if I am gone over 30 days?

A. You will miss one payment if you are gone from 31 to 60 days; two payments from 61 to 90 days.

Q. Who do I notify when I leave the state?

A. If you plan to be gone over 30 days, you must notify the bonus program before you leave. Your payments are then suspended. When you return the program must be notified of the exact dates you left and returned. If you are gone less than 90 days, your payments will start again after you let the program know you are back.

Q. How can I prove my departure and return dates?

A. If you have airline or ferry tickets, you can send a copy to the bonus office. If you drove out of the state, the U.S./Canadian border will stamp a piece of paper with the dates that you cross the border.

Q. What if I am gone for medical reasons?

A. No payment is made to anyone who is gone from Alaska for over 30 days for any reason.

Q. What if I am gone for more than 90 days?

A. If you are absent from Alaska for over 90 days in a 12-month period, you must wait for one year after you return before you can apply to receive the bonus again.

Q. What if I was out of Alaska for over 90 days for reasons over which I had no control?

A. You should write to the bonus office and tell why you were gone so long, and they will ask you to show proof that your absence was beyond your control. The

commissioner of the Department of Administration then decide if the emergency waiting period can be lifted.

Q. For medical reasons I be gone 90 days from Alaska for chemotherapy. Will it be a reason "beyond my control"?

A. No. If the medical treatment you are receiving is available in Alaska, then your absence is not "beyond your control."

Q. If I move Outside, will receive the bonus?

A. No. If you receive a check for the month after you leave you must return it to the bonus office.

Q. I live in an isolated area where there is no regular service. How can I receive checks?

A. Write the bonus office ask if you qualify for room service.

Q. If you have other questions contact Mary Jo Jensen, director of the Division of Pioneers' Benefits, Department Administration, P.O. Box 20700, Anchorage, AK 99511, telephone 265-4400.



Official Business

Alaska State Legislature

House

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State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

HOUSE COMMITTEE SUBSTITUTE FOR SENATE BILL 56 (SA)

FILE CONTENTS

1. MEMORANDUM FROM REPRESENTATIVE ULMER TO HOUSE STATE AFFAIRS COMMITTEE, DATED JANUARY 22, 1988
2. HCS CS CS SB 56 (2ND SA) (WORK DRAFT): AN ACT AMENDING AND MAKING EFFECTIVE AN ANNUITY PROGRAM AND AMENDMENTS TO THE LONGEVITY BONUS PROGRAM AND THE PERMANENT FUND DIVIDEND PROGRAM PROVIDED FOR IN SECS. 2 - 18, CH. 99, SLA 1985; AND PROVIDING FOR AN EFFECTIVE DATE
3. HCS CS SB 56 (SA): AN ACT AMENDING AND MAKING EFFECTIVE AN ANNUITY PROGRAM AND AMENDMENTS TO THE LONGEVITY BONUS PROGRAM AND THE PERMANENT FUND DIVIDEND PROGRAM PROVIDED FOR IN SECS. 2 - 18, CH. 99, SLA 1985; AND PROVIDING FOR AN EFFECTIVE DATE
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6. MEMORANDUM FROM TAMARA BRANDT COOK TO REPRESENTATIVE ULMER, DATED DECEMBER 23, 1987

FISCAL NOTE

- A. DEPARTMENT OF ADMINISTRATION, LONGEVITY BONUS: PENDING



Alaska State Legislature

House

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

M E M O R A N D U M

TO: House Members

FROM: Representative Frank Ulmer, Chair
House State Affairs

DATE: April 26, 1988

RE: HCS CSSB 56(FIN)

The legislature has spent considerable time analyzing the the Longevity Bonus program, the state's financial situation, and the current and future needs of our seniors. The legislation before you, HCS CSSB 56(FIN), is the product of this intensive effort.

How HCS CSSB 56(FIN) Affects Seniors

- Seniors who are currently receiving the Longevity Bonus and those turning 65 on or before 1/1/89 will continue to receive \$250 each month until they die.
- Those turning 65 after 1/1/89 who choose to put all or part of their Permanent Fund Dividend or cash into an annuity account, will receive an amount based on the income earned from their annuity account and a declining Bonus.
- Those turning 65 after 1/1/89 who do not choose to put their Permanent Fund Dividends or cash into an annuity account would receive a declining Bonus.

All seniors who receive the Bonus, whether it is \$250 or the declining Bonus, must be residents of Alaska, 65 years or older, and comply with the regulations regarding allowable absences from the state.

How HCS CSSB(FIN) Helps Alaskans

- Meets the needs of our present seniors who have come to rely on the Bonus;
- Sets in place a plan for seniors who have not turned 65;
- Offers a long term savings plan for all Alaskans; and
- Provides a fiscally responsible alternative to the current Longevity Bonus program.

How HCS CSSB 56(FIN) Differs From CSSB 56

- Adds language which may result in tax free contributions to an annuity account.

Under the House version, if an individual makes an emergency withdrawal from their annuity account, they can pay it back with interest. However, that person cannot make a subsequent contribution to their annuity account for two years after that withdrawal. The two year requirement is designed to avoid the problem of "constructive receipts" - the ability to exert control over retirement funds. Removing control over retirement funds may allow for contributions to be tax free.

- Includes modifications to simplify administration of the program.

Once a person turns 65, the balance of their account is transferred from one account (Annuity Investment Fund) to the Annuity Reserve Account within the Fund. This money is used to make annuity payments.

The above system removes the necessity for the annual estimation of how many members will choose to retire and what amount should be appropriated. It also removes the need for supplemental appropriations when an insufficient amount is appropriated. Finally, it allows for the continued investment of annuity account funds once they are transferred to the Annuity Reserve Account.

This allows for a beneficiary to receive a lump sum payment of all Dividends or cash credited to an individuals account. If there is no beneficiary, a lump sum is paid to the survivors.

- Includes a schedule for declining Bonus payments.

Under the Senate plan (the House bill without Section 9), the Bonus amount would be free to vary up and down because the Bonus calculation is tied to how well the annuity performs. This results in uncertainty as to when the Bonus would phase out. In addition, any change in the calculation of the Dividend which reduced the amount of future Dividends could act to increase the costs of the Longevity Bonus program beyond that intended by the Senate. If changes are adopted (e.g. 40/30/30), the General Fund costs for this program will increase.

Under HCS CSSB 56(FIN), the Bonus amount for each fiscal year is set forth in Section 9. These Bonus amounts are based on the required calculations in Section 8 and reflect the Senate's intent. Section 9 assures more predictability of the state's expenses, reduces uncertainty as to when the program will phase out, and provides greater certainty for the seniors who do not participate in the optional annuity program as to what they will receive each year.

EXAMPLES OF MONTHLY ANNUITY AND BONUS PAYMENTS

Seniors Who Are 65 or Turn 65 by 1/1/89

If you are 65 now or turn 65 by 1/1/89, you will receive \$250 per month until you die. You will also receive the Permanent Fund Dividend.

Seniors Who Turn 65 On 1/2/89

If you turn 65 on 1/2/89, selected the annuity, deposited 100% of one Dividend into an annuity account in FY 90, and continued to deposit 100% of all Dividends each year thereafter, you could receive the following payments:

<u>Fiscal Year</u>	<u>Bonus + Annuity = Monthly</u>
1991	\$240.32 + \$009.68 = \$250
1995	197.65 + 52.35 = 250
2000	\$117.90 + 132.10 = 250
2005	0 + 260.07 = 260

Individuals Who Turn 65 in FY 1995

If you turn 65 in FY 95, deposit 100% of one full Dividend into an annuity account in FY 90, and continue to deposit 100% of all Dividends each year thereafter, you could receive the following payments:

<u>Fiscal Year</u>	<u>Age</u>	<u>Bonus + Annuity = Monthly</u>
1991	61	
1992	62	
1993	63	
1994	64	
* 1995	65	\$197.65 + 57.13 = \$254
2000	70	117.90 + 163.13 = 281
2005	75	0 + 351.64 = 351

The first Permanent Fund Dividend (or cash) that could be contributed to an annuity account would be in October of 1989 (FY 90).

If you turn 65 in FY 1995, deposit 100% of one Dividend into an annuity account in FY 90, and continue to deposit 100% of all Dividends into the annuity up to the age of 65 but not thereafter, you could receive the following:

<u>Fiscal Year</u>	<u>Bonus + Annuity = Monthly</u>
1991	
* 1995	\$197.65 + 57.13 = \$254
1996	184.51 + 57.13 = 241
2000	117.90 + 57.13 = 175
2005	0 + 57.13 = 57

Individuals Who Turn 65 in FY 2005

If you turn 65 in FY 2005, deposit 100% of all dividends since FY 90 up to the age of 65 but not thereafter, you could receive:

<u>Fiscal Year</u>	<u>Monthly Annuity</u>
2005	351.64
2006	351.64
2007	351.64
Etc.	351.64

Individuals Who Turn 65 After 1/1/89 and Do Not Select the Annuity

If you turn 65 in FY 95, do not make any contributions to an annuity account, you will receive the following:

<u>Fiscal Year</u>	<u>Monthly Bonus</u>
1995	\$197.65
1996	184.51
1997	170.11
1998	154.31
1999	136.95
2000	117.90
2001	96.95
2002	73.89
2003	48.51
2004	20.58
2005	0

PROJECTED COSTS

Projected General Fund Costs

<u>FY</u>	¹ <u>Current Program</u>	² <u>HCS CSSB 56(FIN)</u>	³ <u>Senate Version PFD Modified 40/30/30</u>
1989	52.9	52.9	52.6
1990	54.2	54.2	57.2
1991	54.9	54.6	59.8
1992	55.7	54.9	61.9
1993	56.6	55.0	63.8
1994	57.8	55.0	65.0
1995	59.1	54.6	66.2
1996	60.6	54.0	66.6
1997	62.3	52.9	66.0
1998	64.2	51.3	65.0
1999	66.4	49.0	62.8
2000	68.9	46.0	59.5
2001	71.7	42.1	54.8
2002	74.9	36.9	48.8
2003	78.4	30.4	41.2
2004	82.3	22.2	31.9
2005	<u>86.6</u>	<u>14.8</u>	<u>20.6</u>
Cum	\$1107.5	\$780.8	\$943.7

1,2

Source: Dept. of Administration, Fiscal Note dated 3/9/88

2

These projected costs would be similar to the Senate version (HCS CSSB 56-FIN without Section 9); the costs to the state, however, could be greater than those shown if the projected Dividend amounts are less than what is expected in current law.

3

Senate Version (without Section 9)
Source: House Research, Request 88.147

HOUSE COMMITTEE REPORT

(7)

5/17/87

Date referred:

FURTHER REFERRALS:

Returned from calendar 5/17

DATE: 3-7-88

The State Affairs Committee has considered HCS CSSB 56(SA)

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

RECOMMENDS:

- replace with HCS CS SB 56(2d SA) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the Finance Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

 Chairman's signature



Official Business

Alaska State Legislature

House

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State Capitol
Juneau, Alaska 99811

COMMITTEE ON STATE AFFAIRS

March 30, 1988

Ella Benson
Route 1, Box 393
Ketchikan, AK 99901

Dear Ella:

Thank you for your return note on SB 56, the proposed annuity program. Since you are 77 years old, you are one of the people who will continue receiving the \$250 Longevity Bonus payment each month and you will be able to keep your annual Permanent Fund dividend also.

I agree that it was unfortunate when the Longevity Bonus program was forced to include all senior residents, regardless of length of residency; however, that is the law of the land as interpreted by the courts and now we must live within it.

Let me assure you that under the bill passed from the House State Affairs Committee you will continue to receive both the \$250 per month Longevity Bonus and the annual Permanent Fund dividend. Thank you again for writing.

Sincerely,

A handwritten signature in cursive script that reads "Fran".

Fran Ulmer, Chair



Official Business

Alaska State Legislature

House

COMMITTEE ON STATE AFFAIRS

March 18, 1988

P.O. BOX V

State Capitol

Juneau, Alaska 99811

Ella Benson
Route 1, Box 393
Ketchikan, AK 99901

Dear Ella,

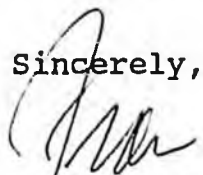
The House State Affairs Committee recently passed out a new committee substitute for SB 56, the "annuity proposal", which makes several changes to the current Longevity Bonus program. I would like to take a few minutes and describe those proposed changes.

The committee substitute (2d HCS CSSB 56-SA) accomplishes the following:

- Seniors who are currently receiving the bonus and those turning 65 on or before 1/1/89 will receive \$250 each month. You will continue to receive your Permanent Fund Dividend too.
- If you turn 65 on or after 1/2/89, you can choose to put all or part (25%, 50%, or 75%) of your Permanent Fund Dividend or cash in an annuity account. When you turn 65, you can receive a retirement check each month based on the interest earnings in your annuity account and a declining longevity bonus. Please note that the bonus paid by the state phases out in about 15 years.
- If you turn 65 on or after 1/2/89 and do not choose to put your Permanent Fund dividend or cash into the annuity program, you would receive a declining bonus providing you turned 65 during the period the bonus was available before it phased out.
- Under the State Affairs Committee Substitute, each Permanent Fund Dividend you deposit into your annuity account would be protected from federal taxation.

I hope this brief explanation is helpful to you in understanding the proposed changes in the Longevity Bonus program. Please let me know if I can provide additional information or explain the proposed changes further. Please note that the State Affairs Committee Substitute is currently in the House Finance Committee which is chaired by Representative Al Adams.

Sincerely,


Fran Ulmer,
Representative

P.S. I am 77 years old been in Alaska 51 yrs, only go out for medical. I

Alaska State Legislature

Committees:

Chair-State Affairs
V. Chair-Judiciary
Telecommunications
Special Ethics
Legislative Council
Finance Subcommittee
for the University of Alaska
Joint Committee
on Economic Recovery



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

REPRESENTATIVE FRAN ULMER

March 22, 1988

Dear Senior:

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- If you turn 65 on or after 1/2/89 and do not choose to put your Permanent Fund dividend or cash into the annuity program, you would receive a declining bonus providing you turned 65 during the period the bonus was available before it phased out.
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Sincerely,

A handwritten signature in cursive script that reads "Fran".

Fran Ulmer,
Representative

District 4B — Juneau

TO: Division of Pioneers' Benefits
Longevity Bonus Program
P. O. Box CL
Juneau, Alaska 99811-0211

I, Fran Ulmer, Alaska State Representative, hereby request a list, with names and addresses, of Longevity Bonus recipients in House District 4.

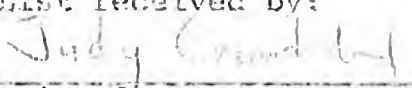
I am aware that privacy considerations impose restrictions on the use of the names and addresses provided. I agree not to allow this information to be used for any purpose other than to disseminate information regarding governmental programs and pending legislation which is of interest to Longevity Bonus recipients; will allow no copies to be made; and will return the original list to the Longevity Bonus Program following the use for which the request is made.

Signature: 

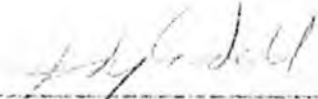
Fran Ulmer

Date

List received by:



Printed name



Signature



Date

Expected date of return of list: 3/21/88

SKB/ms
E/0315/4

TO: Division of Pioneers' Benefits
Longevity Bonus Program
P. O. Box 61
Juneau, Alaska 99811-0211

I, Fran Ulmer, Alaska State Representative, hereby request labels, with names and addresses, of Longevity Bonus recipients in House District 4.

I am aware that privacy considerations impose restrictions on the use of the names and addresses provided. I agree not to allow this information to be used for any purpose other than to disseminate information regarding governmental programs and pending legislation which is of interest to Longevity Bonus recipients; and will allow no copies to be made.

A statement for the cost of the labels is below.

SIGNATURE: Fran Ulmer DATE: _____

Labels received by:

Printed Name Signature Date

_____ labels @ .95/each = _____ Check \$ _____ Received by _____

SKR/ms
R/0321/2

Original sponsors: Kerttula, Halford,
Fischer and Uehling

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

2 2d HOUSE CS FOR CS FOR SENATE BILL NO. 56 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

3 (a) The annuity investment fund is established as a separate
4 fund in the state treasury. The annuity investment fund consists of
5 money transferred from the dividend fund, cash contributions under
6 AS 43.23.125, and income earned by the annuity investment fund.
7 Notwithstanding AS 37.13.145, an amount equal to the permanent fund
8 dividends taken as annuity credits under this chapter shall be annual-
9 ly transferred from the dividend fund to the annuity investment fund.

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

1 Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligi-
2 ble to receive the permanent fund dividend as an annuity credit under
3 AS 43.23.005(d) but does not elect to do so or who elects to receive
4 only a portion of the permanent fund dividend as an annuity credit may
5 make a cash contribution to that individual's annuity account. The
6 total amount credited and contributed to an annuity account in a year
7 may not exceed the amount of the permanent fund dividend for that
8 year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FISCAL NOTE

REQUEST:

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See attachments.

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

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

Distribution (by preparer):

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

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

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

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

The mortality factors were developed using the age distribution of existing eligible beneficiaries as taken from the January, 1982 Longevity Bonus program. The 1984 UNISEX PENSION MORTALITY TABLE supplied by the Division of Retirement and Benefits was used to determine projected attrition in that population group. This table may not be totally reflective of the general population in Alaska.

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

Impact on Longevity Bonus Grant Program
Draft HCS CS SB56 (2nd State Affairs)

FY	NO. # NEW ELIG.	AMT. OF ANNUAL PNT.	AVG. PNT. TO NEW ELG. (65 AFTER 12/2/89)	REMAINING FROM COMP PROGRAM	ATTENTION PAID FOR REMAINING ELIG.	EST. REMAIN AT END FY	PMT. FOR ORIG. RECP.	OF PAYMENT FOR BONUS	CUMULATIVE EXPENDITURES	COST OF 100 MILL STATE (4% GROWTH)	ESTIMATED GRANT SAVINGS	CUMULATIVE SAVINGS
1989	346	4250.00		4519,000	17,479	.043202	16718	451,206,705	451,805,705	451,805,705		40
1990	360	4250.00		41,079,520	16,719	.046026	15949	449,000,199	450,079,713	450,079,713	13,790,215	13,790,215
1991	374	4240.32		41,079,230	15,949	.049092	15166	446,671,562	447,290,292	447,290,292	18,262,259	412,050,474
1992	389	4230.54		41,076,722	15,166	.052342	14372	444,306,406	445,093,158	445,093,158	22,991,215	642,041,689
1993	405	4220.59		41,071,461	14,372	.055789	13570	441,910,060	442,964,529	442,964,529	28,005,648	922,047,337
1994	421	4209.64		41,059,005	13,570	.059450	12764	439,500,130	440,589,136	440,589,136	33,330,306	1,255,377,643
1995	438	4197.65		41,040,375	12,764	.063386	11954	437,076,397	438,114,712	438,114,712	38,990,744	1,644,368,387
1996	455	4184.51		41,004,116	11,954	.067602	11146	434,659,615	435,059,731	435,059,731	45,000,744	2,094,369,131
1997	474	4170.11		40,956,616	11,146	.072111	10342	432,213,441	432,199,057	432,199,057	51,550,605	2,609,919,736
1998	492	4154.31		40,911,909	10,342	.077000	9546	429,831,954	430,743,063	430,743,063	58,490,672	3,194,410,408
1999	512	4136.95		40,841,691	9,546	.082200	8761	427,460,042	429,301,794	429,301,794	65,805,099	3,852,215,507
2000	533	4117.90		40,753,595	8,761	.087739	7991	425,120,404	426,081,999	426,081,999	73,500,503	4,587,216,010
2001	554	4098.95		40,644,474	7,991	.093635	7242	422,849,351	423,493,024	423,493,024	81,500,779	5,402,216,789
2002	576	4078.99		40,510,030	7,242	.100256	6516	420,635,593	421,146,363	421,146,363	90,000,807	6,302,217,596
2003	599	4058.51		40,349,703	6,516	.107717	5810	418,493,644	419,849,427	419,849,427	98,500,749	7,287,218,345
2004	623	4037.59		40,155,887	5,810	.116474	5132	416,459,014	416,607,702	416,607,702	107,500,149	8,362,218,494
2005	649	4016.00		40	5,132	.126835	4521	414,509,146	414,509,146	414,509,146	116,500,114	9,527,218,608
2006	674	4000.00		40	4,521	.139079	3929	412,679,841	412,679,841	412,679,841	125,500,114	10,782,218,722
2007	701	4000.00		40	3,929	.152970	3379	410,969,210	410,969,210	410,969,210	134,500,114	12,127,218,836
2008	729	4000.00		40	3,379	.168735	2879	409,379,130	409,379,130	409,379,130	143,500,114	13,562,218,950
2009	759	4000.00		40	2,879	.186045	2411	407,929,451	407,929,451	407,929,451	152,500,114	15,087,219,064
2010	791	4000.00		40	2,411	.171632	1999	406,617,581	406,617,581	406,617,581	161,500,114	16,702,219,178

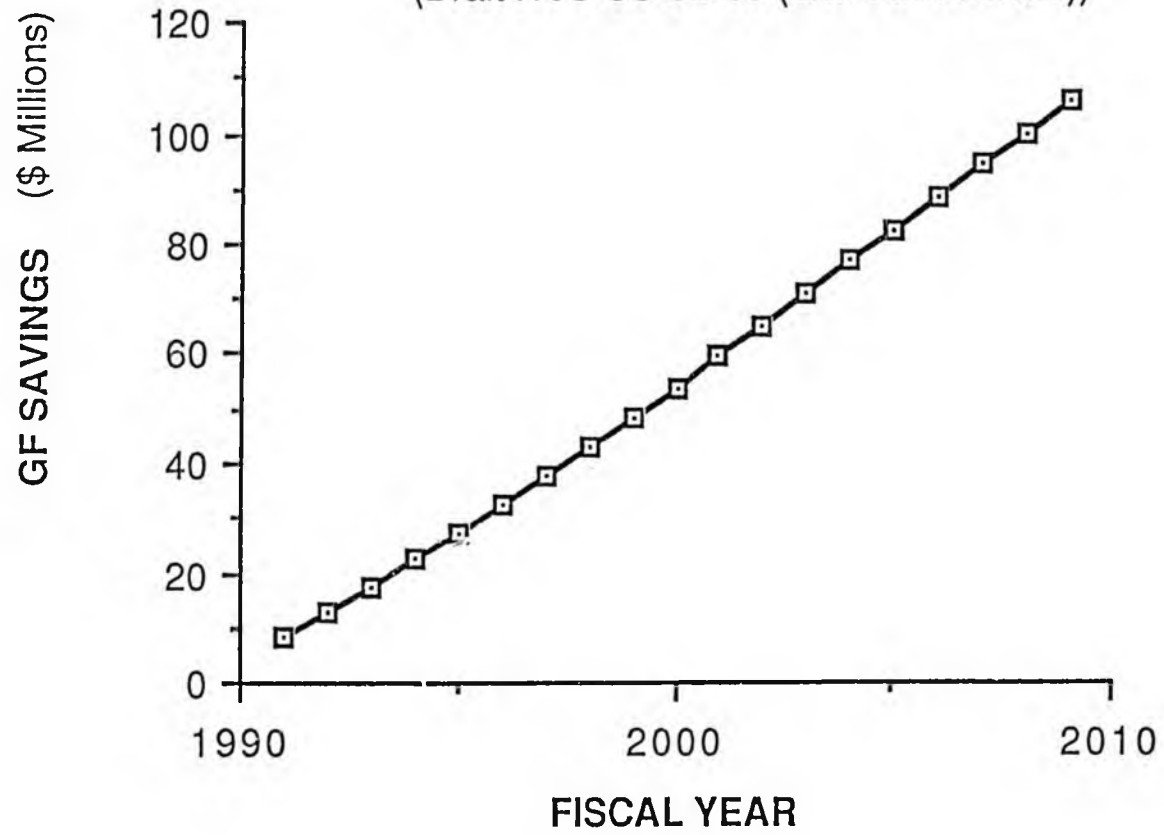
BASE NUMBER ELIGIBLE AT BEGINNING OF FY89 17300 ANTICIPATED ANNUAL GROWTH RATE 4.0%

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

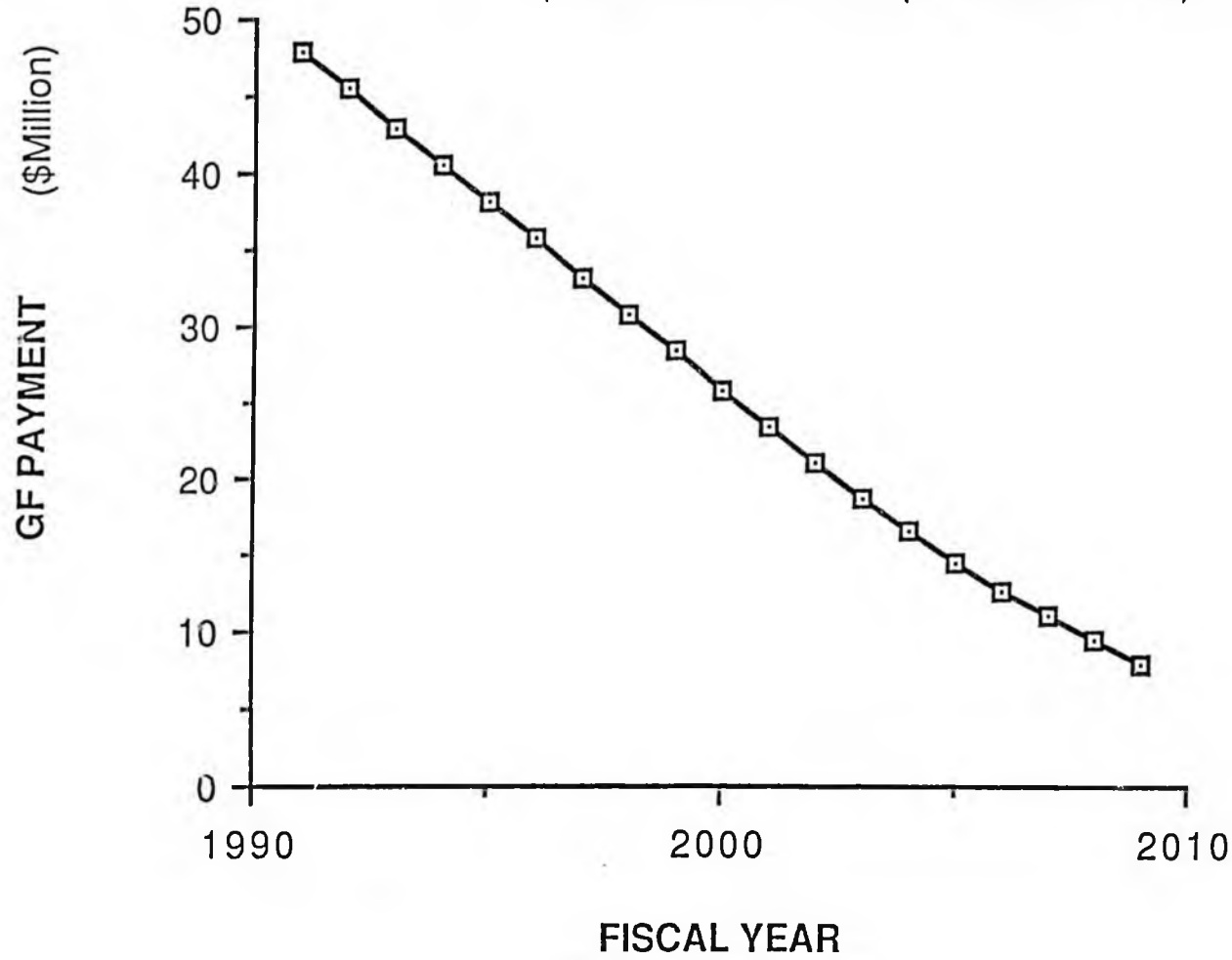
Payments shown are based on bonus payments to half of the estimated number of new recipients in a given year added to the number of prior year recipients. Since a growth factor is assumed for the group as a whole, no mortality rate was factored in. The estimate of number of recipients is based on a straight line projected growth rate of four percent in the annual number of eligibles. The bonus payment is the maximum specified in the draft for new recipients.

ANNUAL SAVINGS

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

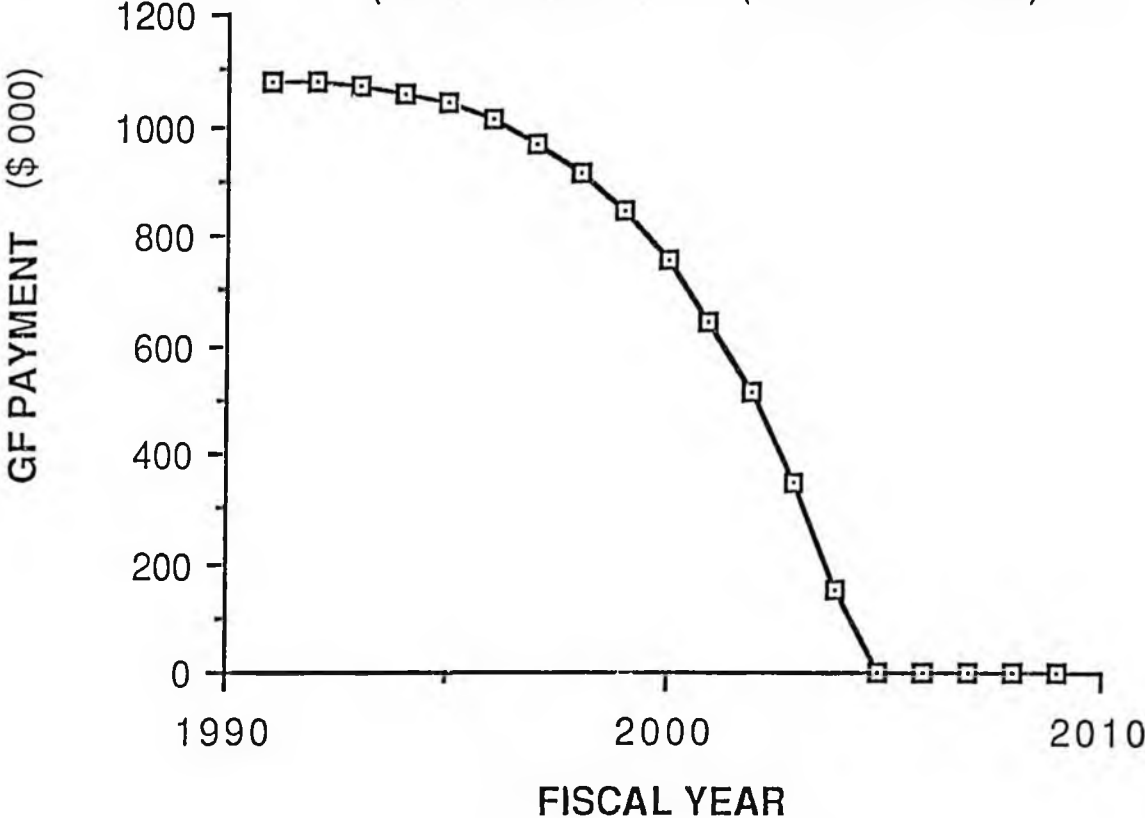


ANNUAL COST OF GRANTS
(Draft HCS CS SB 56 (2nd State Affairs))

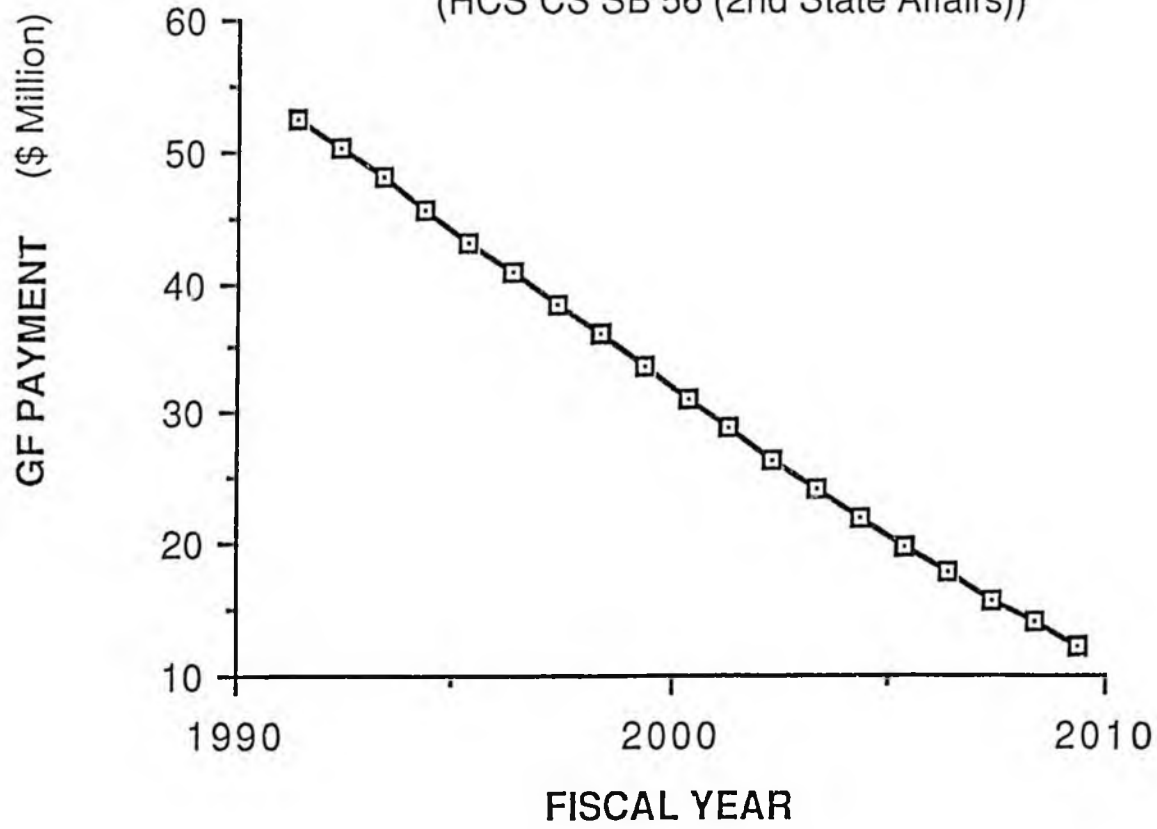


Grant Cost for Annuity Recipients

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



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



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

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

ANNUITY REDUCTIONS ESTIMATED FROM STATED MAXIMUM ALB PAYMENTS IN DRAFT

ANNUAL COST
IF BONUS AMOUNT
CHANGES

YEAR	AT \$250		AT \$300		AT \$400		AT \$500		AT \$600		AT \$750		AT \$1000	
	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS	GF COSTS
1989	\$81,423,705	\$49,733,477	\$47,464,249	\$5,589,021	\$5,516,792	\$41,444,254	\$9,772,336	\$97,300,108						
1990	\$80,075,719	\$46,073,630	\$46,073,631	\$44,070,122	\$24,438,764	\$49,063,773	\$31,620,226	\$31,577,377						
1991	\$77,753,792	\$43,433,621	\$43,433,621	\$42,015,121	\$20,102,710	\$55,471,629	\$31,420,169	\$31,333,378						
1992	\$75,423,133	\$40,784,699	\$41,745,234	\$39,926,173	\$16,137,311	\$61,436,344	\$21,439,367	\$21,350,422						
1993	\$73,089,429	\$38,129,174	\$39,434,139	\$37,439,129	\$12,164,116	\$67,439,053	\$11,433,926	\$11,309,362						
1994	\$70,753,136	\$35,474,616	\$37,259,071	\$35,167,574	\$8,191,053	\$73,436,432	\$1,431,042	\$1,415,191						
1995	\$68,416,712	\$32,819,122	\$35,043,433	\$33,430,122	\$4,217,233	\$79,435,764	\$1,431,173	\$1,415,191						
1996	\$66,080,291	\$30,163,629	\$33,774,071	\$31,733,122	\$2,244,749	\$85,435,121	\$1,431,759	\$1,415,191						
1997	\$63,743,868	\$27,508,136	\$30,508,616	\$29,150,629	\$2,150,629	\$91,434,433	\$1,431,777	\$1,415,191						
1998	\$61,407,445	\$24,852,643	\$28,239,115	\$26,955,174	\$2,134,122	\$97,434,799	\$1,431,777	\$1,415,191						
1999	\$59,071,022	\$22,197,150	\$25,962,111	\$24,762,115	\$2,118,122	\$103,434,122	\$1,431,777	\$1,415,191						
2000	\$56,734,600	\$19,541,657	\$23,689,107	\$22,567,115	\$2,102,122	\$109,433,445	\$1,431,777	\$1,415,191						
2001	\$54,398,177	\$16,886,164	\$21,416,103	\$20,372,115	\$2,086,122	\$115,432,768	\$1,431,777	\$1,415,191						
2002	\$52,061,754	\$14,230,671	\$19,141,100	\$18,177,115	\$2,070,122	\$121,432,091	\$1,431,777	\$1,415,191						
2003	\$49,725,331	\$11,575,178	\$16,866,097	\$15,982,115	\$2,054,122	\$127,431,414	\$1,431,777	\$1,415,191						
2004	\$47,388,908	\$8,919,685	\$14,591,094	\$13,787,115	\$2,038,122	\$133,430,737	\$1,431,777	\$1,415,191						
2005	\$45,052,485	\$6,264,192	\$12,316,091	\$11,592,115	\$2,022,122	\$139,430,060	\$1,431,777	\$1,415,191						
2006	\$42,716,062	\$3,608,699	\$10,041,088	\$9,397,115	\$2,006,122	\$145,429,383	\$1,431,777	\$1,415,191						
2007	\$40,379,639	\$93,212,100	\$1,431,777	\$1,431,777	\$1,431,777	\$151,428,706	\$1,431,777	\$1,415,191						
2008	\$38,043,216	\$17,427,107	\$1,431,777	\$1,431,777	\$1,431,777	\$157,428,029	\$1,431,777	\$1,415,191						
2009	\$35,706,793	\$15,772,114	\$1,431,777	\$1,431,777	\$1,431,777	\$163,427,352	\$1,431,777	\$1,415,191						
2010	\$33,370,370	\$14,117,121	\$1,431,777	\$1,431,777	\$1,431,777	\$169,426,675	\$1,431,777	\$1,415,191						

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSSB No. 56
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

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

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

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

Prepared by: John R. Taber, Director Phone: 465-3347
Division: Division of Public Assistance Date: 1/22/88

Approved by Commissioner: Maria M. Munson Date: Jan 25, 1988
Agency: Department of Health & Social Services

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

Division of Public Assistance
 Assistance Payments BRU

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

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

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

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

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

	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>
Estimated number of Aged recipients receiving ALB Hold Harmless that replaces SSI income in amount \$212-250	368	428	488	543	608
Reduction in monthly Bonus	0	(\$8)	(\$17)	(\$27)	(\$38)
Average monthly State savings for SSI replacement (clients x Bonus reduction)	0	(3424)	(8296)	(14796)	(23104)
Fiscal year ALB Hold Harmless savings (Monthly x 12 months)	0	(41088)	(99552)	(177552)	(277248)

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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: CS SB 56 (JUD)
Publish Date: _____

Revision Date: _____

Agency Affected: ADMINISTRATION

Title: An Act amending and making effective an annuity program

BRU: LONGEVITY BONUS

Sponsor: KERTTULA, HALFORD...

Components: _____

Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

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

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

[Empty box for analysis]

Prepared by: Senator John Binkley Phone: _____

Division: Co-Chair Senate Finance Date: 5/7/87

Approved by Commissioner: [Signature] Date: _____

Agency: _____

Distribution (by preparer):

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



Official Business

Alaska State Legislature

House

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

COMMITTEE ON STATE AFFAIRS

February 26, 1988

Mrs. Judith Ann Martin
Director
Seward Seniors, Inc.
P.O. Box 1195
Seward, AK 99664

Dear Mrs. Martin:

Thank you for your letter and clarification on SB 56. I am committed to trying to get a resolution of this matter prior to the end of session.

Sincerely,

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

Fran Ulmer, Chair
House State Affairs Committee

Seward Senior Citizens, Inc.

419 5th AVE.
P.O. BOX 1195
SEWARD, ALASKA 99664
(907) 224-5604

February 16, 1988

Fran Ulmer, Chair
House State Affairs Committee
P O. Box V
Juneau, Alaska 99811

Dear Committee:

Referring to our letter dated October 13, 1987 we'd like to correct the impression given within. We are not in support of abolishing the Longevity Bonus Program. We are in support of Senate Bill#56.

Sincerely,

Seward Seniors, Inc. Board of Directors

James A. Hilton, President
Jackie Campbell Vice President
Doris M. Witzell
Linda R. Stubblefield
Julia Duchany
Betty Skinner Treasurer

JC - COPIES TO SA COM

Alaska State Legislature

Committees:

Chair-State Affairs
V. Chair-Judiciary
Telecommunications
Special Ethics
Legislative Council
Finance Subcommittee
for the University of Alaska
Joint Committee
on Economic Recovery



P.O. Box V
Juneau, Alaska 99811
(907) 465-4947

REPRESENTATIVE FRAN ULMER

February 26, 1988

Sally Harris
Pioneers of Alaska
P.O. Box 1009
Palmer, AK 99645

Dear Ms. Harris:

I have received the petitions signed by you and others supporting Senate Bill 56, the Longevity Bonus Annuity program, and appreciate knowing your position. I am committed to trying to get a resolution of this matter prior to the end of session.

Sincerely,

A handwritten signature in ink, appearing to read "Fran Ulmer", written over a vertical line.

Fran Ulmer, Chair
House State Affairs Committee

TELECOPY COVER SHEET

9/17

TO: Sup. - Tom McLean

FIDE: 466-1017

FROM: Sally Harris
11th St. of Ok

FIDE: 376-7574

INSTRUCTIONS: _____

RECEIVED DATE: 2/16/88

TIME: _____

SENT DATE: 2/16/88

TIME: 11:04

BY: (YOUR OFFICE AND PHONE NO.) LID. INT-SU 376-3704

DISPOSAL OF ORIGINAL: _____ THROW AWAY _____ HOLD FOR PICKUP

NUMBER OF PAGES: 17 (NOT COUNTING THIS COVER SHEET)

X

V

PLEASE RETURN TO:
P.O. BOX 1009
FAIRBANKS, AK 99645

Blank lined area for writing.

Mrs. S. Poling
 1302 4th Ave. N. -
 Fairbanks, Alaska
 99701

L.E. Carlson
 318 First St. -
 Fairbanks, Alaska
 99701

Mrs. M. [unclear]
 665-50th Ave. -
 Fairbanks, Alaska
 99701

Mrs. [unclear]
 104 [unclear] -
 Fairbanks, Alaska
 99701

Mrs. [unclear]
 195 [unclear] -
 Fairbanks, Alaska
 99701

Mrs. [unclear]
 1178 [unclear] -
 Fairbanks, Alaska
 99701

Mrs. [unclear]
 666 [unclear] -
 Fairbanks, Alaska
 99701

NAME (PRINT) SIGNATURE ADDRESS

IF YOU HAVE ANY QUESTIONS OR NEED ASSISTANCE, PLEASE CONTACT THE STATE ARCHIVES AND RECORDS CENTER AT (907) 457-2400. FOR MORE INFORMATION, VISIT OUR WEBSITE AT WWW.AKARCHIVESANDRECORDS.COM.

WE THE UNDERSIGNED SUPPORT SENATE BILL 56, THE LANGUAGE RIGHTS ACT, AND ASK THAT SB 56 BE PASSED AND ENACTED INTO LAW, THEREBY PROTECTING THE RIGHTS AND INTERESTS OF THE PEOPLE IN 1988 ON THE LANGUAGE RIGHTS ACTIVITY PROGRAM. THIS PETITION TO BE ADDRESSED TO THE GOVERNOR, SPEAKER OF THE HOUSE, PRESIDENT OF THE SENATE, THE JUDICIARY AND STATE AFFAIRS COMMITTEE CHAIRMAN.

NAME (PRINT)

SIGNATURE

ADDRESS

John A. Allaire *[Signature]* 1026 Woodlands Way, Folsom, CA 95742

VALLIE BYRNE *[Signature]* 1002 10th Ave, Ft. Worth, TX 76105

Sonia Younker *[Signature]* Box 83529, Ft. Worth, TX 76183

LAURIE YOUNKER *[Signature]* P.O. 83539, Ft. Worth, TX 76183

Alan G. Doyle Jr *[Signature]* P.O. 81153, Ft. Worth, TX 76183

CELENE HACHLEY *[Signature]* 1136 Summit Dr, Ft. Worth, TX 76109

Donna Albert *[Signature]* 2225 So. Lind

CHUCK CLUTTS *[Signature]* 506 Juniper, Ft. Worth, TX 76102

Allen Veezy *[Signature]* 1716 Kings, Ft. Worth, TX 76102

Red Dixon *[Signature]* 2510 Lancaster, Ft. Worth, TX 76102

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PALMER, AK 99645

2

AS THE UNDERSIGNED SUPPORT BEHIND HIM, THE HOUSE OF REPRESENTATIVES DO ASK THAT SB 56 BE PASSED AND ENACTED INTO LAW, BEING IN FULL ACCORD WITH THE WISHES AND VOICE OF THE PEOPLE IN 1936 ON THE LEGISLATIVE HOUSE BEING THE ONLY ONE TO BE ADDRESSED TO THE GOVERNOR, SPEAKER OF THE HOUSE, PRESIDENT OF THE SENATE, THE JUDICIARY AND STATE AFFAIRS COMMITTEE (LAWYER).

NAME (PRINT)	SIGNATURE	ADDRESS	
MARY L. ROSS	<i>Mary L. Ross</i>	1100 Ruby St. Anchorage, AK	99708
Eileen T. Wickstrom	<i>Eileen T. Wickstrom</i>	PO Box 73551 Fairbanks, AK	99707
Luis E. Meyer	<i>Luis E. Meyer</i>	455-35th Ave, Apt 221 Fairbanks	99701
Lucille Koutokka	<i>Lucille Koutokka</i>	2000 7th St Fairbanks	99707
MAGDALENE CASEADY	<i>Magdalena Casady</i>	5th St Fairbanks	99701
Joy Albin	<i>Joy Albin</i>	954 W. 1st St Fairbanks	99701
Erene Brooks	<i>Erene Brooks</i>	541 1st St Fairbanks	99701
Jeanne Olsen	<i>Jeanne Olsen</i>	1002 9th St Fairbanks	99701
Patricia Gaciano	<i>Patricia Gaciano</i>	202 1st St Fairbanks	99709
MARY E. COOK	<i>Mary E. Cook</i>	PO Box 733 1073 3rd St Fairbanks	99701
Evelyn Sites	<i>Evelyn Sites</i>	1000 1st St Fairbanks	99701
Roberta L. Rice	<i>Roberta L. Rice</i>	1945 1st St Fairbanks	99709
Josiah L. Baker	<i>Josiah L. Baker</i>	1710 W. 1st St Fairbanks	99709
Carol J. Cook	<i>Carol J. Cook</i>	PO Box 99 College	99708
MARILYN THOMAS	<i>Marilyn Thomas</i>	Aug 10 1968 FAIRBANKS	99707

WE THE UNDERSIGNED HEREBY CERTIFY THAT THE SIGNATURES ON THIS DOCUMENT ARE TRUE AND THAT WE DO BE PASSED AND INITIALED AND THAT THE SIGNATURES ARE THE SIGNATURES OF THE PEOPLE IN 1983 ON THE LEGISLATIVE HOUSE REPORT NUMBER 1008 WHICH REPORT IS BE ADDRESSED TO THE GOVERNOR, SPEAKER OF THE HOUSE, COMMISSIONER OF THE PEOPLE, THE JUDICIARY AND SENATE AFFAIRS COMMITTEE MEMBERS.

NAME (PRINT)	SIGNATURE	ADDRESS
Wanda [unclear]	[unclear]	5621 Photo Dr, Anchorage AK
Patricia Storris	[unclear]	507 - [unclear] Alaska 99701
RUTH HICK	[unclear]	227-15th St Anchorage 99701
Debra G. Mours	[unclear]	115 Truival Fols 99709
LESLIE MYRA	[unclear]	1250 [unclear] Anchorage 99701
JOAN D PERDUE	[unclear]	1166 [unclear] Anchorage 99702
JEAN L. GORDON	[unclear]	9245 [unclear] Anchorage 99709
BRUCE R. GORDON	[unclear]	4548 Wood Ave Dr 99709
Bonnie T. Williams	[unclear]	1735 [unclear] Anchorage 99709
Kathleen A. Thomas	[unclear]	3170 [unclear] Anchorage 99709
[unclear]	[unclear]	[unclear] Anchorage 99701
Helen S. Bailey	[unclear]	1325 6th Ave Anchorage 99701
ELLEN RING	[unclear]	115 [unclear] Anchorage 99709
Angela Randolph	[unclear]	685 - 24th Ave Anchorage AK 99701
Debbie Ribas	[unclear]	2295 Stearns Fols 99709
[unclear]	[unclear]	[unclear] Anchorage 99701
Nath Bunker	[unclear]	[unclear] Anchorage
Lorraine Phillips	[unclear]	5345 Fols Anchorage 99708
Michael Anderson	[unclear]	[unclear] Anchorage 99708
JEAN SCHMIDT	[unclear]	[unclear] Anchorage 99701
MARIE D. WARD	[unclear]	[unclear] Anchorage 99701
Patricia G. [unclear]	[unclear]	[unclear] Anchorage 99708
Sandra E. [unclear]	[unclear]	[unclear] Anchorage 99708

WE THE UNDERSIGNED SUPPORT SENATE BILL 83, THE CONSTITUTIONAL PROTECTION ACT, AND WEAS THAT BE TO BE PASSED AND ENFORCED IMMEDIATELY, THEREBY, FULFILLING THE NATURAL RIGHT OF THE PEOPLE IN 1988 ON THE THIRTEENTH DAY OF JUNE 1988. THIS PETITION TO BE ADDRESSED TO THE SENATOR, SPEAKER OF THE HOUSE, PRESIDENT OF THE SENATE, THE JUDICIARY AND STATE AFFAIRS COMMITTEE CHAIRMAN.

NAME (PRINT)

SIGNATURE

ADDRESS

William R. Titman *William R. Titman* 3711 Erickson Ave 99709
 Sharon R. Leslie *Sharon R. Leslie* 2751 Davis Rd 99709
 Orlene L. Leslie *Orlene L. Leslie* 2751 Davis Rd 99709
 Kenneth A. Leslie *Kenneth A. Leslie* 2751 Davis Rd 99709
 Ken D. Leslie *Ken D. Leslie* 2751 Davis Rd 99709
 Clinton K. Schoenleber *Clinton K. Schoenleber* 3703 Mitchell Ave 99709
 Connie A. Quabben *Connie A. Quabben* PO Box 153 99707
~~Jack L. Allen~~ *Jack L. Allen* 3722 ERICKSON AVE 99709
 Jack L. ALLEN 3722 ERICKSON AVE Jack L. Allen
 JoAnne Clark *JoAnne Clark* 2107 Davis Rd 99709
 Patricia T. Warner *Patricia T. Warner* 2038 Pioneer Rd 99709
 Shirley Stating *Shirley Stating* 3514 Pagan Rd 99709
 Sally Murphy *Sally Murphy* 114 Galena St. Flks 99709
 Magdalene Causby *MAGDALENE* 216 Slater St 99701
 Maria M. Keag *MARIE McKEAL* - 1224 FRODOE RD. YAKIMA WA 99705
 Keag, Marlene 1709 Riverside 21 Pm 99705
 Charles Baskett *Charles Baskett* 4815 Palmyra Ave N.W. WA 99705
~~Carl W. Mosley~~ *Carl W. Mosley* 1200 N. 4th St 99701
 Evelyn Huggins *Evelyn Huggins* 3028 - Pioneer Dr. 7th Fl. 99707
 Noelle Collins *Noelle Collins* 312 Interstate 7th Fl. 99701
 Nancy J. Girdell *Nancy J. Girdell* 985-3rd Ave 3rd Fl. 99701
 Nancy R. Richter *Nancy R. Richter* PO. Box 1285 Fairbanks AK 99707
 Sylvia Bouillion *Sylvia Bouillion* 1102 Pioneer Dr. 7th Fl. 99707
 Jeanette Theodor *Jeanette Theodor* 2028 - Pioneer Dr. 7th Fl. 99707
 Lisa J. Young *Lisa J. Young* 2028 - Pioneer Dr. 7th Fl. 99707
 Jack M. Lambert *Jack M. Lambert* 2028 - Pioneer Dr. 7th Fl. 99707

BE THE UNDERSIGNED SUSPECT BEING BILL 55, THE PROVISIONS WHEREBY THE STATE MAY
THAT BE BE PASSED AND ENACTED INTO LAW, THE BY THE PEOPLE IN 1985 ON THE LEGISLATIVE HOUSES
OF THE PEOPLE IN 1985 ON THE LEGISLATIVE HOUSES APPROVED AND PASSED BY THE
ADDRESS TO THE GOVERNOR, SPEAKER OF THE HOUSE, COMMISSIONER OF THE SENATE, THE
JUDICIARY AND STATE AFFAIRS COMMISSIONER CHAIRMAN.

NAME (PRINT)	SIGNATURE	ADDRESS
JAMES C. GRIFFIN	James C. Griffin	4223 3rd Avenue Palmer, AK 99707
DORRIS H. THOMAS	Dorris H. Thomas	PO Box 1287 Eks Ak 99707
INGEBORG WILSON	I. Wilson	215 "C" St. Fairb.
DAVID A. GILLEN	David A. Gillen	1013 H. Street #101 FBI
CHARLES A. LOUAY	Charles A. Louay	205 1/2 Main, EKS AK 99707
JOSEPH P. APPA	Joseph P. Appa	611 W. Main, EKS AK 99707
E. MURPHY WILDE	E. Murphy Wilde	PO Box 276 99707
CHARLES L. CLUTTS	Charles L. Clutts	506 3rd Ave Eks Ak 99707
JOAN B. CLUTTS	Joan B. Clutts	506 3rd Ave Eks Ak 99707
MARLENE M. LIND	Marlene M. Lind	77 1/2 Ave. Eks Ak 99707
MARIE D. WOOD	Marie D. Wood	126 Charles, EKS AK 99707
MARY LANGM	Mary Langm	576 1/2 W. Ave 99707
DORRIS H. THOMAS	Dorris H. Thomas	122 1/2 Hill St 99707
LILIAN F. H. CLAY	Lilian F. H. Clay	2nd Street 99707
CLARA M. ANDERSON	Clara M. Anderson	122 1/2 Hill St Eks Ak 99707
LEONA F. BOWLES	Leona F. Bowles	PO Box 70122 Eks Ak 99707
BURTON S. SHERBETT	Burton S. Sherbett	157 PHILLIPS FIELD RD, Eks Ak 99707
LARA A. KAGANER	Lara A. Kaganer	PO Box 5572 Eks Ak 99707
JOHN A. CLAY	John A. Clay	2 1/2 Davis, EKS AK 99707
MARY J. JONES	Mary J. Jones	1124 1/2 W. Ave Eks Ak 99707
KATHLEEN E. DALLA	Kathleen E. Dalla	PO Box 504 Eks Ak 99707
ROSEMARY L. SMITH	Rosemary L. Smith	PO Box 504 Eks Ak 99707
MARIE S. LIND	Marie S. Lind	PO Box 504 Eks Ak 99707

THE INTERNATIONAL WOMAN SUFFRAGE PARTY, INC. HAS THE HONOR TO INVITE YOU TO JOIN AND AID
IN THE STRUGGLE FOR THE ENFRANCHISEMENT OF WOMEN. THE NATIONAL CONFERENCE WITH
US WILL BE HELD IN WASHINGTON, D.C. FROM SEPTEMBER 15-18, 1950. YOUR CONTRIBUTION TO BE
FORWARDED TO THE NATIONAL OFFICE OF THE PARTY, 1700 G ST. N.W., WASHINGTON, D.C.
FACTORY AND STATE WOMEN SOCIETIES CHAIRED.

NAME (PRINT)	SIGNATURE	ADDRESS	Fbics AK
Lois V. [unclear]	[unclear]	1433 Aurora Drive	AK 99701
[unclear]	[unclear]	551 [unclear]	
Betty Poloff	[unclear]	99712 - 1019 [unclear] St	
Betty [unclear]	[unclear]	665-11 th Ave #303	AK- 99701
[unclear]	[unclear]	Mc Kay Ave	AK 99701
Margie H. Martin	[unclear]	95 [unclear] Ave #7	AK 99701
[unclear]	[unclear]	P.O. Box 8585	99708
[unclear]	[unclear]	2225 [unclear] Dr	AK 99705
[unclear]	[unclear]	2225 W. HALL	AK 99705
[unclear]	[unclear]	2225 [unclear] St	AK 99705
[unclear]	[unclear]	104 [unclear] St	AK 99705
[unclear]	[unclear]	665-10 th Ave #106	
[unclear]	[unclear]	# 5 [unclear]	
[unclear]	[unclear]	Box 1954	AK 99707
[unclear]	[unclear]	Box 5222	AK 99705
[unclear]	[unclear]	5531 [unclear] St	AK 99705
[unclear]	[unclear]	[unclear]	
[unclear]	[unclear]	1077 [unclear] way	AK 99707
[unclear]	[unclear]	179 [unclear] Ave	AK 99701
[unclear]	[unclear]	#227 [unclear]	AK 99701
Tactina Russell	[unclear]	224 [unclear]	AK
Andell Pitcher	[unclear]	[unclear]	AK
Mary E. [unclear]	[unclear]	5 th [unclear]	AK
[unclear]	[unclear]	[unclear]	AK 99707

PLEASE RETURN TO:
P.O. BOX 1009
PALMER, AK 99645

57

STATE OF ALASKA



*SIA file
co.*

SENATE JUDICIARY COMMITTEE

SEN. JAY KERTTULA
SEN. ARLISS STURGULEWSKI
SEN. JAN FAIKS
SEN. JOE JOSEPHSON
SEN. PAT RODEY

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3717
(907) 465-3771

DATE: February 12, 1988
TO: Alaska State Legislators
FROM: Senator Jay Kerttula *adm*
RE: Longevity Bonus *for jk*

Attached is a copy of a paper prepared by the Older Persons Action Group (OPAG). Rose Palmquist, President, of OPAG, has asked me to distribute this paper, "Why Encourage Seniors to Remain in Alaska?" to each of you.

W H Y E N C O U R A G E S E N I O R S
T O R E M A I N I N A L A S K A ?

By

Older Persons Action Group

February 1988

1987 SURVEY RESULTS

NAME OF ORGANIZATION	VOLUNTEER HOURS	CASH CONTRIBUTION
Borough Statewide	1,357,922	
Cities Statewide	393,600	
Retired Senior Volunteer Program	100,000	\$ 145,855
Older Persons Action Group	6,176	
Pioneer Homes	21,632	2,763,200
Senior Centers	281,100	
Libraries & Museums Statewide	575,640	
Daybreak, Hospice, ASRAA	6,900	
American Lung Assn. of Alaska	884	
Alaska Retired Teachers	33,600	
Social Security Administration:		
retirement, survivors & disability benefits		148,632,000
supplemental security income benefits		1,724,000
SSI disability benefits		3,682,000
reimbursement of Medicare claims		44,000,000
administration		2,200,000
Unions & other private retirement		
programs: 1987 payments		100,000,000
Older Alaskans Commission		5,287,900
Alaska Public Employees' Retirement System:		
real estate mortgages & small business loans		127,419,700
benefits paid to Alaskan residents		34,620,000
refunds to Alaskan residents		6,000,000
administration expense		4,985,000
Civil Service retirement payments		64,489,020
Military Pensions		95,408,720
Alaska Retired Teachers		24,571,652
Veteran's pensions		26,809,403
Retired Alaska National Guard		530,460
Federal senior housing programs		3,660,000
HUD native senior housing (estimate)		1,200,000
Medicaid		42,340,000
Earned Income, non-federal:		348,344,595
(age 55-66 = 325,930,603)		
(age 66-70 = 16,820,804)		
(age 71 + = 5,593,188)		
TOTALS	2,777,454	1,094,313,000

(more than forty agencies responded)

The Older Persons Action Group (OPAG), a statewide non-profit advocate for Alaska's senior citizens, believes with Senator Kerttula that the oil and other resources of Alaska belong to all Alaskans. Every Alaskan resident benefits from these resources, generally relative to the length of time spent in the state: older Alaskans benefit less, simply because their life expectancy is so much less. The now old are entitled to their share; the young can benefit now and look forward to benefits after retirement age. Consequently, OPAG maintains that the Longevity Bonus and the Property Tax Exemption/Renters Rebate programs must be continued undiminished.

The purpose of this 1987 survey of senior citizen contributions to Alaska was to determine how much financial input comes to Alaska, SEPARATE FROM THE STATE GENERAL FUND, as a result of these elders making their homes in Alaska. Many legislators recognize that, were it not for the longevity bonus and the tax exemption/renter's rebate, a good share of the general fund appropriations now going to these programs* would have to swing over to Health and Social Service appropriations.

WHAT PURPOSE WERE THE BONUS AND EXEMPTIONS EXPECTED TO SERVE?

The longevity bonus tax exemption programs were to provide elderly, longtime Alaskans with "incentive to continue uninterrupted residency in the state." In 1972, only 2.3 percent of all Alaskans

were 65 years of age or older, compared with 10 percent for the nation as a whole. The 1972 legislature concluded that the high costs and rigors of Alaska life were forcing "pioneers...to live out their retirement years ~~to~~ far away from the land they loved and nurtured,...- (thus) depriving future generation of Alaskans of the benefits of their wisdom and experience." The lawmakers went out of their way to emphasize that the payments were not to be considered as "any form, type or manner of public relief," but rather a reward for hardships suffered during Territorial days and an incentive to remain in the state.

SO, WHO PROVIDES "PUBLIC RELIEF"?

These elders had established homes and communities and had envisioned a new state. They had paid territorial and state income and property taxes, had selected Prudhoe and developed its earning capabilities for all Alaskans, and had made statehood a reality.

Younger people will benefit, quite properly, from the oil income and the Permanent Fund for many years to come. Older Alaskans have much less time to share these benefits; therefore, older Alaskans are receiving longevity bonuses and tax exemptions on their residences to compensate for the shorter time available to them. To reduce or eliminate either of these programs will create inequity of benefits for seniors.

Prior to introduction of the bonus and exemption, most seniors who could afford a move, moved "south" when they retired. They sold or rented their homes, withdrew checking/savings accounts, and took their pensions, annuities, social security, health care benefits, earned interest, dividends, and other assets and moved out of the state to a

warmer and less expensive climate. This survey does not include the private equity of older Alaskans in Alaskan property and businesses, but the reader may simply look at his own community to realize the large contribution seniors provide to the tax base of Alaskan communities.

The survey has addressed the 1987 volunteer work by seniors in their communities. An astounding figure of two and three quarters million hours donated by retired professional teachers, foster "grandparents", village elders teaching culture and survival, retired administrators & business people with friendly faces and voices serving on civic boards and commissions, the sick and bedridden, and so many more, enrich all of Alaska each year. At the modest rate of \$5/hour, this donation comes to about thirteen million dollars. However, more than half the hours volunteered were provided to municipalities and to libraries and museums. These positions normally earn at least ten dollars per hour. Therefore, the volunteer work provided by seniors equals more than one-half the cost of statewide senior programs.

DID ALASKA STOP ITS "ELDERS-DRAIN"?

The volunteerism exhibited by Alaskans of retirement age proves that the state has succeeded in keeping some of the strong social fiber provided by older people, in the communities where these people belong. Our studies show that more seniors stay in Alaska. In 1972, 2.3 percent of all Alaskans were 65 years or older; now, fifteen years later, 4.7 percent of all Alaskans are 65 years or older. But this is still less than one-half the national average of 11 percent.

These citizens are rich and poor, but are most often middle income. If these benefits of longevity bonus and tax exemption/-

renter's rebate are withdrawn or greatly reduced as proposed, we predict that many seniors will feel the pinch and head "south", taking with them income and assets.

To find out how important these incomes and assets are, OPAG president Rose Palmquist expanded upon OPAG's 1986 study. Mrs. Palmquist surveyed the money received by Alaskan seniors residing in Alaska in 1987, including NON-GENERAL FUNDS spent by agencies that support the elderly in Alaska. We contacted Social Security Administration, unions, military, Veteran's Administration, Department of Labor, the state retirement programs, local municipalities, more than forty agencies altogether. We received answers both to volunteer hours and funds spent in Alaska. The results are on the first page of this paper. The City of Haines was so thorough that it included the money spent in Haines by seniors for the 12 month average: \$553,721.20.

The survey has not included the factor of private investment. It has touched once on the use of private retirement funds in financing industries (the Alaska Public Employee's Retirement System administers ninety-five percent of its real estate mortgages and small business loans fund inside Alaska, a fund totalling \$134,126,000). No figures were obtained on the time spent by seniors in small enterprises, or part time family enterprises such as family farming, nor the revenues thus generated. No figures were gathered on earned interest, dividends, or other such income for Alaskan residing seniors, either.

The researchers connected with this survey are amazed to learn what a large contribution seniors make to private industry in Alaska. One billion, ninety-four million cash dollars were earned by people of retirement age in 1987 and added to the Alaskan economy. When combined

to the two and three quarters million hours of volunteer work by seniors, it is obvious that the 4.7 percent of total Alaskan population as represented by the senior citizens more than justifies senior programs. State funding of the longevity bonus and the tax exemption/-renter's rebate programs are well founded in "value-received."

It is obvious that if large numbers of seniors feel they must leave the state, the negative impact of such a move on the statewide economy would be very depressing. Please note that the cost of the longevity bonus/tax exemptions (if fully founded) of approximately fifty-six million dollars is not included in the above total; seniors being in Alaska are the cause of dollar infusion into the economy at a rate of approximately twenty times more than the longevity bonus/exemption cost.

A spot survey taken at the Anchorage Senior Center indicated that 57% of the Alaskan elders present would leave Alaska if both programs were eliminated.

The results of this survey demonstrate that the Longevity Bonus and the Tax Exemption/Renter's Rebate not only benefit the needy, but also provide necessary services to one of the strongest and most stable fibers of Alaskan economic and social structure. Secondly, OPAG asks that this thought be kept in mind: the Permanent Fund invests heavily outside of Alaska; let's not push the investments seniors have to offer into other states but rather, keep our seniors and their contribution here at home.

NOTE:

1. OPAG researchers, in preparing the 1987 survey of retired Alaskans' cash input in this state, were provided with more data from the source agencies than was given in 1986. Some agencies provided data for people in the fifty-five year to sixty-two year age bracket, as well as the sixty-two years and older age bracket (these will be identified in the statistics). Most agencies responding also gave the amount of volunteer effort the Alaskan seniors are contributing to our State...Added this year are the data on senior citizen housing projects cash input into Alaskan economy; many agencies were able to provide the administrative cost of programs for the elderly as spent in Alaska.

2. * FY 87 Homeowners' property tax exemption = \$ 2,866,300
Renters equivalency rebate = 221,200
Longevity bonus = 50,889,800

Total state general fund spent on seniors' programs:

\$53,977,300



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY



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January 20, 1988

MEMORANDUM

TO: Representative Fran Ulmer

ATTN: Dennis Burns

FROM: Karen Oakley *KO*
Legislative Analyst

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

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

Attachment

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

No Change in the Permanent Fund Dividend Program

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

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

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

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



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
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February 1, 1988

MEMORANDUM

TO: Representative Fran Ulmer

FROM: Karen Oakley *KO*
Legislative Analyst

RE: Senate Bill 56: Effect of Future Permanent Fund Dividends on the
General Fund Cost of the Longevity Bonus Program
Research Request 88.147

You asked us to discuss two aspects of Senate Bill (SB) 56, which would create a State-sponsored annuity program as an eventual replacement for the Alaska Longevity Bonus (ALB) Program. You asked: 1) how the "maximum straight life annuity," which ultimately determines the bonus amount, is calculated; and 2) how changes to the Permanent Fund Dividend (PFD) program proposed by Senate Joint Resolution (SJR) 40 would affect the General Fund cost of the ALB program during the next 15 years.

The "Maximum" Straight Life Annuity Under SB 56

An annuity is a type of investment that transfers income available earlier in one's life to later in one's life, generally when one is no longer working. There are several types of annuities, but the only kind that concerns us here is the straight life annuity. When a person begins receiving payments from an annuity account under a straight life plan, the monthly payment is based on three things:

- 1) the amount in the account;
- 2) the person's life expectancy, which is the length of time the person can be expected to live from that point on; and
- 3) the interest rate expected during the person's life.

Using these three variables, a monthly payment is calculated. The recipient will receive this payment for the rest of their life, whether the person lives one day or 25 years. When the person dies, the payments stop, and the person cannot pass any of the funds not yet spent from the annuity account on to a heir.

Calculation of the monthly payment possible under a straight life annuity is not difficult, once values for each of the three variables is known.¹ The only tough decisions are deciding on the values for the three variables. In this case, the account balance is uncertain because we do not know precisely how much future Permanent Fund Dividends--or the earnings on those dividends--will be. We have used life expectancy values generated by the State Demographer; the life expectancy of a 65 year-old in Alaska is 15.9 years. We have assumed an interest rate of nine percent. Other equally valid values could have been used--for example, a life expectancy value based on nationwide data or a higher or lower interest rate could be used. Using different assumptions will affect the annuity payment and thus the bonus amount. A higher interest rate and/or a shorter life expectancy will increase the annuity payment and thus lower the bonus amount. A lower interest rate and/or a longer life expectancy will decrease the annuity payment and thus increase the bonus amount. As will be discussed in the following section, larger PFDs would increase the annuity and also reduce the bonus amount.

Under SB 56, the bonus amount is \$250 minus the maximum possible straight life annuity under the annuity program. The maximum possible straight life annuity equals:

the amount a person would receive if that person became 65 years on January 2, 1989, and contributed 100 percent of all PFDs for every year after 1988.

¹In fact, many hand-held calculators are programmed to calculate such payments. Similarly, most spreadsheet software packages include a payment function.

Thus, in each year after the program goes into effect, it is necessary to calculate how much a person who turned 65 years on January 2, 1989 would be receiving from investment of each PFD in a straight life annuity. The only unusual thing about calculating this maximum annuity is that the maximum annuity payment is the sum of the individual annuity payments derived from each PFD. Normally, persons over the age of 65 years would not continue investing cash in annuities--they would just use the cash. Each year, the straight life annuity payment from that year's PFD would be calculated using a lower life expectancy value as the person would be one year older.

Effect of Changes to the PFD Program on General Fund Cost of the ALB Program

Larger Permanent Fund Dividends increase the amount of the maximum annuity, thereby reducing the bonus amount. The smaller the bonus amount, the less the ALB program costs. Thus, any change that reduces the amount of future PFDs will ultimately act to increase the General Fund cost of the longevity bonus program. Senate Joint Resolution 40 would change the disposition of Permanent Fund earnings so that PFDs will be decreased.

In Table 1, projections of PFD amounts, bonus amounts and the cost of the ALB program based on bonus amounts under four scenarios are presented. Figure 1 shows the annual costs under the four scenarios.

With no change to the PFD program, the bonus is projected to reach zero in 2005, and the cumulative costs (FY 88 through FY 05) of the bonus program are about \$920 million. Under SJR 40, the bonus does not reach zero until after 2005, and the cumulative costs of the bonus program are \$1 billion. The cumulative costs through 2005 of the current bonus program are projected to be \$1.3 billion.

As we discussed earlier, these projections should not be interpreted as actual values; the focus should be on the general trend of the costs associated with each scenario and the relative trend, i.e., how one scenario compares to the others. Clearly, Senate Bill 56 does reduce the cost of the bonus program even if there are changes to the Permanent Fund Dividend program. Changes to the Permanent Fund Dividend program which decrease dividends will, however, have fairly costly effects on the ALB program.

Representative Ulmer
February 1, 1988
Page 4

We noted in a prior memo on SB 56 (House Research Memorandum 87.303) that the uncertainty created by basing the bonus amount on PFDs could be avoided by simply reducing the bonus amount by a set schedule. Another way to remove some of the uncertainty concerning the future General Fund cost of the bonus program would be to define a bottom line by having a fixed bonus reduction schedule apply only if the PFD program is changed such that PFDs are reduced. In this way, the General Fund cost of the bonus program could actually be less than we have projected here, if, for example, PFDs are larger than predicted or interest rates are higher. The General Fund cost would simply be limited by the use of a bonus reduction schedule in the event of a change to the PFD program.

I hope you find this information useful. If we can provide any further information, please let us know.

Attachments