

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672
5513 SSTA SB 56 / 085

SB

56

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of FEB. 4, 1987 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: HESS
JUDICIARY
FINANCE

**FISCAL NOTE(S) ATTACHED 1 **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/20/87

DATE TURNED INTO OFFICE MAR. 2, 1987

Mr. President:

STATE AFFAIRS

Committee considered SB 56

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

and recommended:

replace with CS SB 56(SA) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Joe Jones

William L. Keenly "No Rec,"
Rich Uhler "No Rec"

[Signature]

Chairman signature and recommendation

Committee Backup Attached

FEBRUARY 25, 1987 SECTIONAL CSSB 56 (State Affairs) Draft #2

This bill puts into effect the annuity plan voted on by the people of Alaska in November 1986, which is contained within Chapter 99, SLA 1985. The changes to that annuity plan are contained within Sections 1-5 of this committee substitute

Section 1

Allows for cash contributions into the annuity accounts

Section 2

If a cash contribution is made, the cash contribution may not exceed the amount of the permanent fund dividend for that year.

Section 3

Conforming language so that a cash contribution can be made.

Section 4

Conforming language so that a cash contribution can be made.

Section 5

Adds language to allow for a emergency withdrawal. The amount withdrawn shall be limited to the amount sufficient only to meet the emergency and may not exceed the amount in the individual's annuity account. Regulated by the Commissioner of Revenue.

Section 6

Repeals the stair-stepping plan contained within Chapter 99, SLA 1985.

Section 7

This act apply for only to those permanent fund dividends after December 31, 1987.

Section 8

Immediate Effective Date Clause

Alaska State Legislature

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

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



Senator Mitch Aboud
CHAIRMAN

Senate Committee on State Affairs

SECTIONAL ANALYSIS FOR CSSB 56 STATE AFFAIRS

Section 1

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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 56
Publish Date: _____

REQUEST _____

Revision Date: _____
Title: * (see below) _____

Agency Affected: Administration
BRU: Longevity Bonus

Sponsor: Kerttula
Requestor: Senate State Affairs

Components: Administration, Grants

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary. The implementation of the annuity program to replace the Longevity Bonus Program will result in a decrease in general funds committed to the program. The difference is shown on the Grants and Claims line. The amount is based on the difference in costs of the annuity program and the current law as shown in Appendix A of 1986 Ballot Measure No. 3, Questions and Answers About Proposed Longevity Bonus Alternatives prepared by the Division of Strategic Planning, September 1986.

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

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

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

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

Garrey Peska

CONTINUATION of FISCAL NOTE ANALYSIS

For SB 56

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

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

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

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

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

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

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

A zero inflation rate is assumed for this fiscal note.

APPENDIX A

General Fund Costs of Proposed Bonus Program Alternatives

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

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

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

†Annual general fund costs likely to continue increasing.



LAWS OF ALASKA

1985

Source

CCSSB 56

Chapter No.

99

AN ACT

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

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

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

Approved by the Governor: June 7, 1985
Actual Effective Date: Sections 2 - 18 take effect on the date that section 1 of this Act is repealed; section 1 takes effect on the date that sections 2 - 18 of this Act are repealed; sections 19 - 24 take effect June 8, 1985

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

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

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

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

14 I certify that

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

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

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

28

29

(signature of individual, parent,

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**



LAWS OF ALASKA

1985

Source

CCSSA 36

Chapter No.

99

AN ACT

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

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

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

Approved by the Governor: June 7, 1985
Actual Effective Date: Sections 2 - 18 take effect on the date that section 1 of this Act is repealed; section 1 takes effect on the date that sections 2 - 18 of this Act are repealed; sections 19 - 24 take effect June 8, 1985

Offered: 5/11/85

Original sponsors: Ray, Halford,
Bennett, et al

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

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

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

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

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

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

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

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

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

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

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

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

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

14 I certify that

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

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

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

28

29

(signature of individual, parent,

1 guardian, or other authorized
2 representative)

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

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

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

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

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

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

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

23 Sec. 43.23.035. PENALTIES AND ENFORCEMENT. (a) In addition to
24 any criminal penalties imposed by state law, if an individual is
25 convicted of a crime in connection with a false statement made in a
26 certification required under AS 43.23.015, and the conviction is not
27 reversed, that individual forfeits all permanent fund dividends cred-
28 ited or paid, together with any interest credited to that individual's
29 annuity account and is not eligible for a future permanent fund divi-
30

1 dend.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 ARTICLE 2. ANNUITY PROGRAM.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 ed.

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

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

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

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

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

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

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

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

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

8 * Sec. 20. AS 47 45.070 is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

21 Q U E S T I O N

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

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

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

6 Should the legislature adopt this program?

7 Yes [] No []

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

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

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

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

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

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

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

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

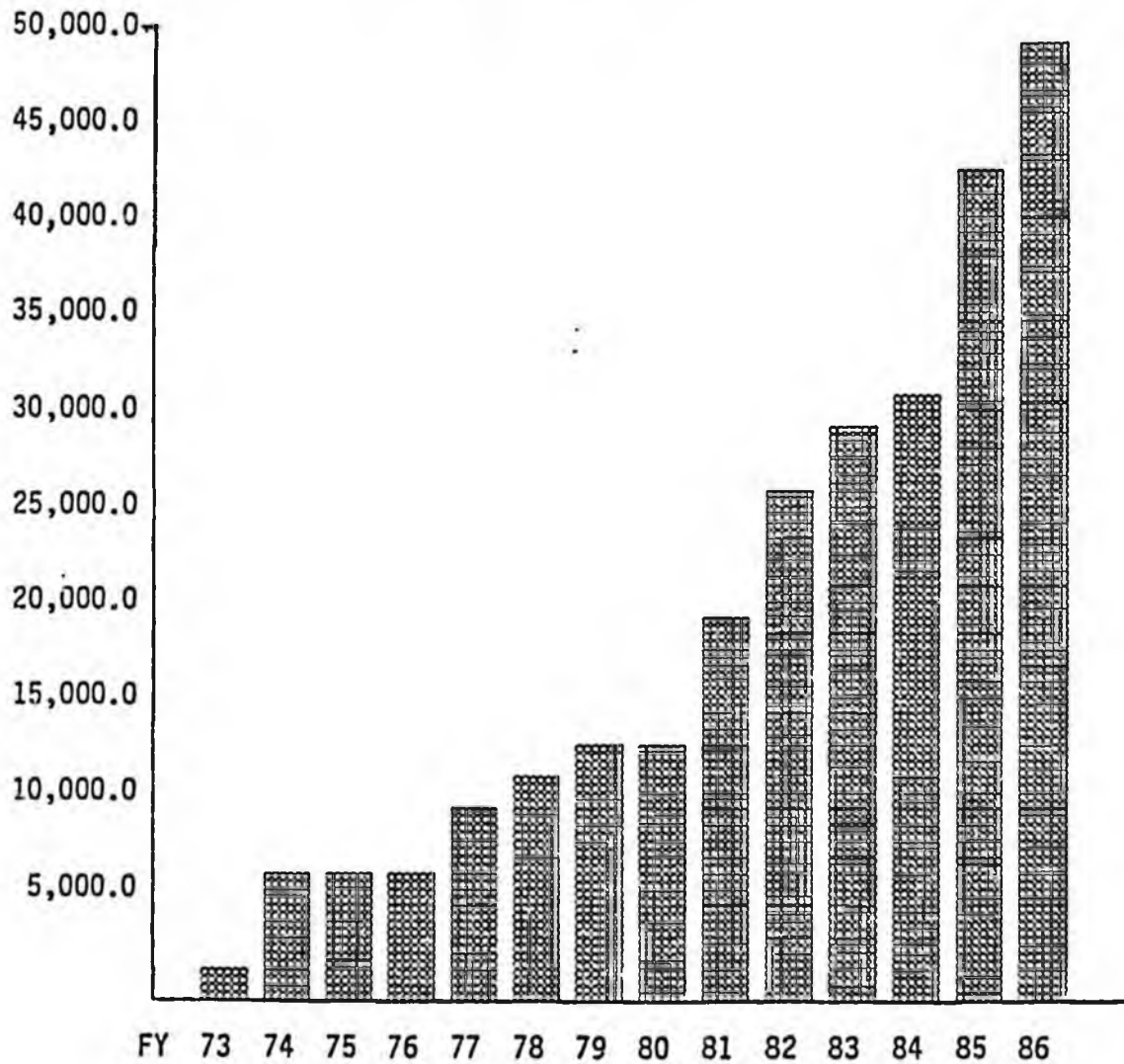
The annuity option provides that every individual who reaches age 65 by January 1, 1988, including those already receiving the bonus, would receive a longevity bonus payment of \$250 per month. In addition, a person under age 65 on January 1, 1988, could participate in an optional annuity program by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

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

Should the legislature adopt the annuity option?

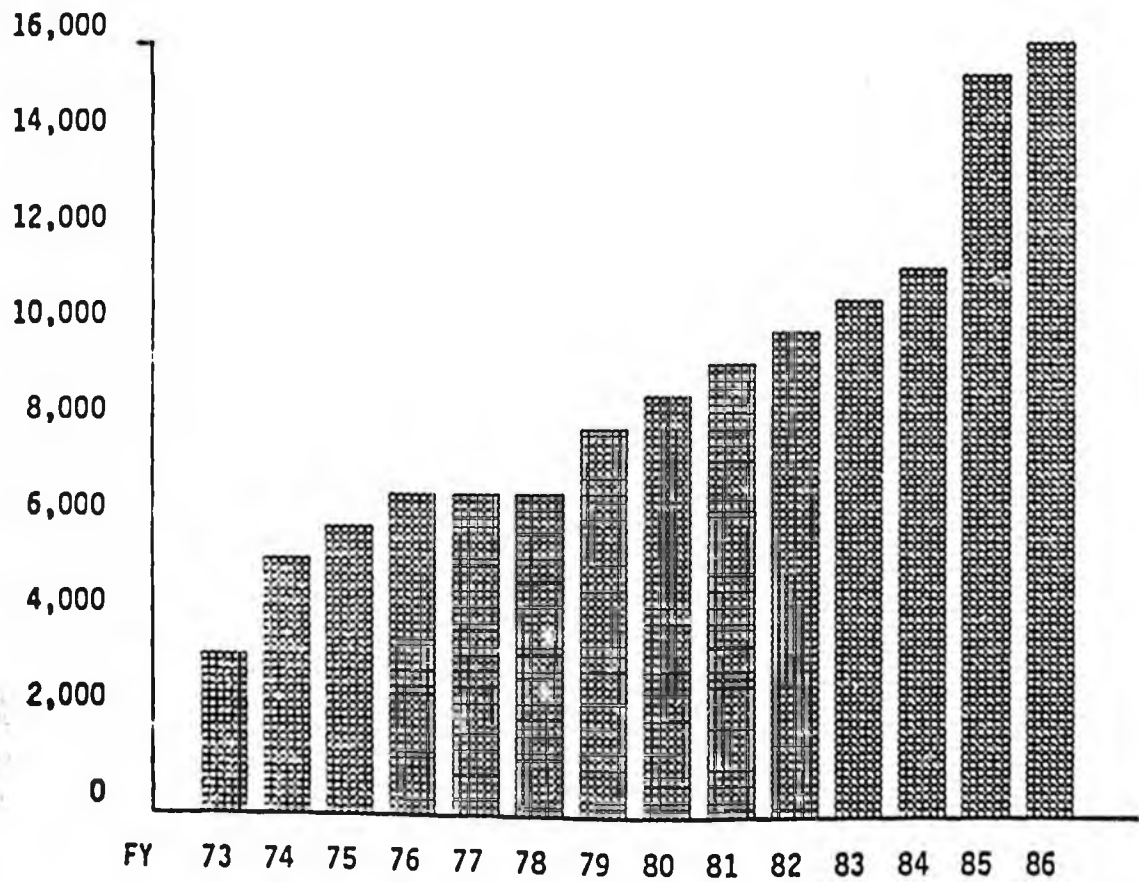
YES () NO ()

ANNUAL EXPENDITURES (IN THOUSANDS)
LONGEVITY BONUS PROGRAM



9/7C1/1220-16

QUALIFIED RECIPIENTS
LONGEVITY BONUS PROGRAM



9/7C1/1220-14

LONGEVITY BONUS PROGRAM COSTS*
(millions of dollars)

<u>Fiscal Year</u>	<u>Current Law</u>	<u>SB-56 Annuity Program</u>	<u>SB-57</u>	
			<u>Annuity Minimum</u>	<u>Program Variant Maximum</u>
1988	51.2	51.2	51.1	51.2
1989	52.7	52.4	51.4	52.4
1990	55.6	54.8	51.8	54.8
1991	58.2	56.6	50.6	56.6
1992	60.7	57.9	48.1	57.9
1993	63.4	58.9	44.2	58.9
1994	65.9	59.2	38.8	59.2
1995	68.8	59.2	31.8	59.2
1996	71.4	58.2	23.2	58.2
1997	73.6	56.1	12.8	56.1
1998	76.1	53.2	0.0	53.2
1999	78.5	49.1	0.0	49.1
2000	81.1	43.7	0.0	43.7
2001	83.6	36.8	0.0	36.8

*Grants only. Does not include administrative costs.

OMB/Policy, 2/16/87.

LONGEVITY BONUS PROGRAM COSTS*
(millions of dollars)

<u>Fiscal Year</u>	<u>Current Law</u>	<u>SB-56 Annuity Program</u>	<u>SB-57</u>	
			<u>Annuity Minimum</u>	<u>Program Variant Maximum</u>
1988	51.2	51.2	51.1	51.2
1989	52.7	52.4	51.4	52.4
1990	55.6	54.8	51.8	54.8
1991	58.2	56.6	50.6	56.6
1992	60.7	57.9	48.1	57.9
1993	63.4	58.9	44.2	58.9
1994	65.9	59.2	38.8	59.2
1995	68.8	59.2	34.6	59.2
1996	71.4	58.2	32.5	58.2
1997	73.6	56.1	30.3	56.1
1998	76.1	53.2	28.2	53.2
1999	78.5	49.1	26.2	49.1
2000	81.1	43.7	24.1	43.7
2001	83.6	36.8	22.1	36.8

*Grants only. Does not include administrative costs.

OMB/Policy, 2/16/87 (revised)

Alaska State Legislature

SENATE ADVISORY COUNCIL



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

MEMORANDUM

TO: Senator Mitch Abood
Alaska State Senate

ATTN: Carol Horos

FROM: Paula d. Scavera *TS*
Researcher

DATE: January 26, 1987

RE: Longevity Bonus

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

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

WHERE ARE WE ON LONGEVITY BONUS?

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

WHAT IS THE ANNUITY OPTION?

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

WHAT WAS THE OTHER ALTERNATIVE ADOPTED?

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

WHAT IF THE LEGISLATURE DOESN'T REPEAL EITHER ALTERNATIVE?

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

VEST VS. ALASKA

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

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

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

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

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

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

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

OPAG POSITION PAPER

ON

LONGEVITY BONUS, RENTER'S REBATE & PROPERTY TAX EXEMPTION LEGISLATION

Introduction: The Older Persons Action Group (OPAG), a statewide nonprofit advocate for Alaska's senior citizens, believes that all residents of the state should share equally in our oil wealth. Consequently, we maintain that the **Longevity Bonus** and the Property Tax Exemption/Renters Rebate Programs must be continued undiminished.

Background: What purpose was the bonus and the exemptions supposed to serve? It was 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 in areas far away from the land they loved and nurtured,...(thus) depriving future generations 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.

These elders established homes, communities and envisioned a new state. They paid Territorial and state income and property taxes, selected Prudhoe, other state lands and made statehood a reality.

RECEIVED
MAR 02 1987

Discussion: 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 a Longevity Bonus and a tax exemption 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.

The population mix should contain a proper proportion of seniors. They do not fill the jails, require schools or child care centers, nor compete for jobs, student loans, or business or farm loans. They do spend money, stimulate the economy, create employment, do very extensive free volunteer work and contribute to charities. The annual volunteer work that seniors do statewide with many agencies is valued in thousands of hours, worth millions of dollars.

Prior to introduction of the Bonus and Exemption, most seniors who could afford it moved "south" when they retired. They sold or rented their homes, withdrew check/savings accounts, and took their pensions, annuities, social security, health care benefits, and other assets and left to survive in a warmer and less expensive climate.

Things have changed. Now our studies show that more seniors stay in Alaska. They are neither rich nor poor, but are most often middle income. If these benefits, namely Bonus and Tax Exemption, are withdrawn or greatly reduced as proposed recently by the Governor, 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 directed its Board to make a study of the money received by Alaskan seniors residing in Alaska, and funds spent by agencies that support the elderly in Alaska. We contacted the Social Security Administration, Unions, Military, Veterans Administration, the state retirement programs, etc. and asked, "What do you spend in Alaska in support of Alaskan senior citizens? Please include all monies for direct or indirect support of such seniors, including but not limited to expenditures for health care, staff salaries, rentals, disability compensation, retirement pay etc." We were amazed as we added the answers:

<u>SOURCE</u>	<u>\$ PER YEAR</u>
Social Security Administration	136,562,000
Medicare	35,000,000
SSI	10,000,000
Medicaid	42,340,000 (seniors only)
Teachers' Pensions	25,740,293
Unions and Industry Pensions	100,000,000 (est.)
Retired Military, all services	66,940,192
Retired Federal Workers	60,925,872
Retired State Workers	38,842,061
Veterans Administration Seniors	24,595,783
Retired State National Guard	<u>505,200</u>
	\$541,451,401

Analysis: Annually, roughly half a billion dollars are spent in support of Alaskan seniors through retirement/medical programs. In addition, a sizeable amount is contributed to the economy by other senior incomes and investments. It is obvious that this

large sum for direct and indirect support does affect the economy significantly.

It is also obvious that if large numbers of seniors feel they must leave the state, the negative impact experienced by the economy will be very depressing to it. Please note that the cost of the Longevity Bonus/Exemptions of some 50 million dollars is not included in the above total; and that seniors being in Alaska are the cause of dollar infusion into the economy at a rate of approximately eleven times more than the Bonus/Exemption cost.

A spot survey taken February 13 at the Anchorage Senior Center indicated that 57% of the Alaskan elder present would leave Alaska if both the Longevity Bonus and Tax Exemption/Renters Rebate were eliminated.

Conclusions: The Older Persons Action Group has concluded that reduction or elimination of the Longevity Bonus or Property Tax Exemption/Renters Rebate would:

- a. impact most middle income and all lower income senior in a significantly adverse manner.
- b. force many seniors to leave the State for less expensive areas.
- c. have a severe impact on the State economy in proportion to the loss of their incomes and capital assets.
- d. cause a loss of population balance resulting in a reduction of maturity and experience levels in that population.
- e. impact not only the economy, but impact all the agencies and services that use volunteer labor throughout the State.

P O S I T I O N

Therefore, it is recommended to the public and to our elected officials that the Longevity Bonus and the Property Tax Exemption/Renters Rebate Programs be left intact in such manner that they continue to meet the objective of encouraging retired Alaskans to remain in the state.

Copies of this position paper may be obtained by contacting:
The Older Persons Action Group (OPAG), 325 East 3rd Avenue,
Anchorage, Alaska 99501 Telephone (907) 276-1059

P.O. Box 2308
Palmer, AK 99645

February 23, 1987

C
Long Bonus
my

RECEIVED
FEB 25 1987

Senator Mitch Abood, Chairman
Senate State Affairs
Box V
Juneau, AK 99811

Dear Senator Abood:

I testified during the teleconference held, Mon. Feb. 16, 1987 concerning the Longevity Bonus and the related annuity bills which are currently in the Senate State Affairs Committee. I had also listened to the first teleconference held Wed. Feb. 11, 1987. All of the testimony with the exception of mine was redundant and could more or less be summed up: Leave my longevity bonus alone, keep it like it is and don't touch my permanent fund dividend.

Since my testimony developed a different view I thought it appropriate to send my thoughts in writing.

"I am not Longevity Bonus recipient, yet. However I am 64 years old and will be eligible for the Bonus in September of this year. I have lived in Palmer, Alaska since 1955. The views I am about to express are my own.

I do realize that SB 56 and SB 57 are attempts to address the Longevity Bonus problem by developing an annuity program by using part of an individual's permanent fund check. The option of the annuity program was given by the voters by an advisory referendum vote last November. However, the two advisory options on the ballot didn't address the problem of the cost of the Longevity Bonus program. This problem should have been faced by the 14th Legislature but was sidetracked because of political reasons and passed off to the people by a referendum.

The issue as I see it; the Longevity Bonus program is no longer a program as intended but rather a bonus for those 65 years old or older. The program is a drain on the general fund, and particularly now that fund are dwindling. I believe the annual fiscal outlay is close to \$50 million with an annual increase of around 7%. If the program is to continue there has to be a plan developed where it is total burden on the general fund. The two bills SB 56 and SB 57 will not significantly help relieve this financial burden for a long time. Furthermore, both bills are predicated on the permanent fund dividend continuing at least to the turn of the century.

From what I have read about Gov. Cowper's proposal for the Longevity Bonus program, to me this seems to be the only realistic approach given so far, that is to reduce payments to \$200/month and have an income cap of \$20,000/ annually. I realize this an unpopular statement but I do feel the Governor's approach does deal with the cost of the program."

Sincerely,

Gene Annas

Mr. Gene Annas

RECEIVED
FEB 24 1987

Send to me this -
(M)

PO Box 112827
Anchorage, AK 99511

February 17, 1987

Senator Mitch Abood, Chairman
Senate State Affairs Committee
P. O Box V
Juneau, AK 99811

Dear Senator Abood:

As I hope you will recall, I testified rather tentatively yesterday concerning the longevity bonus.

As promised, enclosed are copies of my letter to Governor Cowper and his reply.

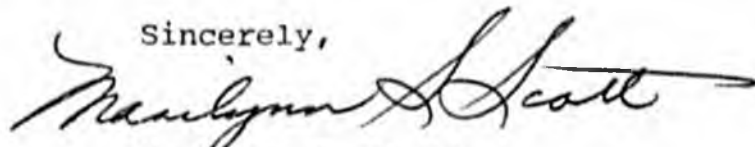
Also enclosed is a "handout" I received at the school board meeting here in Anchorage last night. There are so many conflicting pieces of information available that it is virtually impossible for us as citizens to make wise recommendations. I hope it is easier for you in Juneau to make wise decisions.

If funds are available, I believe the state should continue the ~~longevity bonus~~ for those currently eligible for the economic reasons listed in my letter to the governor.

I am still not sure about the annuity plan because I am not at all sure the permanent fund dividend program should continue. Furthermore, if a true annuity program is being developed, those permanent fund dividends dedicated to this purpose probably should be transferred to the retirement system and managed there, with a right of withdrawal before age 65 just as state retirees have the option to withdraw what they have deposited if they leave state employment. I would think not making these arrangements could eventually result in a lawsuit.

My husband and I look forward to hearing more on these subjects.

Sincerely,



Marilynn S. Scott

cc: Senator Jan Faiks

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 4, 1987

Marilynn S. Scott, Ed. D.
P.O. Box 112827
Anchorage, AK 99511

Dear Dr. Scott:

Thank you for your letter expressing concerns for the future of the Longevity Bonus Program.


The state must reduce the cost of many programs as a result of drastically declining revenues, and it is well known that the rising cost of the Longevity Bonus Program must be curtailed. This issue will be dealt with during the current legislative session. Although it is not possible to predict what the eventual outcome will be, we intend to work closely with the members of the Legislature to reduce the cost of the program with a minimum of harm to the people who depend on the bonus for the necessities of life.

We appreciate that you have taken the time to express your views on this sensitive issue, and want you to know that your comments will be carefully considered.

Sincerely

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

Steve Cowper
Governor

C


PO Box 112827
Anchorage, AK 99511
(907) 345-1698
January 3, 1987

The Honorable Steve Cowper,
Governor of the State of Alaska
Post Office Box A
Juneau, Alaska 99801

Dear Governor Cowper:

I am writing this letter after having watched your recent interview on station KAKM because it appears you are open to suggestions. I am a 25-year resident of Alaska, 64 years of age, and now retired but formerly an assistant superintendent of the Anchorage School District.

Although my husband is 66 and currently a recipient of the longevity bonus, this is not a petition to perpetuate the present system. Rather, it is a request that you and your team of advisors reconsider the entire program.

Basically, I believe that if Alaska cannot afford the program--which is entirely possible, it should be discontinued in its entirety. The longevity program was initiated to help make it possible for Alaska's pioneer senior citizens to remain in Alaska after reaching retirement age. It was not intended to be a welfare program. Had the original plan remained in force, neither my husband nor I would have been eligible under its provisions. The Zobel suit changed all of that. I believe we need to consider the original intent. If it were to become a "welfare" program for the indigent elderly, the State would simply set up an additional bureaucratic organization to inspect all applicants' finances. Better that additional funds be made available to social service departments and agencies to take care of the truly indigent with existing programs, attract federal welfare dollars, and really save some money for the state.

On the other hand, I want to add another consideration. The way the regulations are currently written, those drawing the longevity bonus cannot be away from the state for more than thirty days. Now, no one can live in Alaska on \$250.00 per month. These elder citizens who are spending nearly all their time in the state are spending much more and contributing much more than \$250.00 a month to their local economies. They buy food and clothing and housing and cars and gasoline and eat in restaurants and go to the theater, for example. They use the services of banks, physicians, lawyers, dentists and pharmacists--probably to a greater extent than the average younger individual. In our case, if it were not for the bonus, we would spend much more time out of Alaska--and much more of our disposable income would be spent outside.

It seems to me the business community might want to give this some thought. I am wondering whether the economists have done any research on the financial impact to the state's economy if 50 to 60% of Alaska's senior citizens were to be gone more of the time, or permanently.

Mr. Richard Gay, formerly a professor at Alaska Methodist University and a much-respected member of the Anchorage community, recently wrote a "letter to the editor" for one of our papers in which he stated that without the longevity bonus he and his wife would probably have to leave Alaska. That would be a very real loss for this community--and I am sure they are not the only ones. If they were to go, they would take all their other spendable income with them.

Also, it does not seem to me that Alaska makes good use of its senior citizens. I do some volunteer work for the Anchorage School District, but I could do more. Many of Alaska's retirees are able-bodied. How about trading the longevity bonus for everyone for volunteer work from those who are able and wish to receive the bonus? I haven't fleshed out any plan, but I am sure it could be done with a minimum of paid bureaucracy. Management of the program could in itself be primarily a volunteer effort.

Again, let's completely do away with the longevity bonus if we must, but let's not make it another welfare program. Furthermore, let's be sure that doing away with it will not be "throwing out the baby with the bath." Let's look for alternatives.

My other concern is the Permanent Fund Dividend program which seems to be a sacred cow. I believe it should be reduced or distribution temporarily cancelled to provide funds for an adequate state government. When a business runs into financial difficulty or a shortage of funds to carry out needed activities, it reduces or cancels dividends to stockholders. In the case of the State of Alaska, it appears to me that this approach should also apply. A change in the Dividend program should certainly be considered before talking of increased taxes.

My observations tell me that Permanent Fund Dividends are often not well spent. They may go for booze or drugs or foolish extravagances. They may be garnisheed, hocked or sold. Of course, some families are very wise in their use of their dividends, but chances are very good that they would fare just as well without them, or they would use other state-managed safety nets that would incorporate federal funding. Deleting the cost of managing the distribution of both the longevity bonus and the dividend would save the state a good deal of money.

In the newspapers I don't see a thorough discussion of these points. I would like to know that they are being thoughtfully considered and not discarded out of hand.

I am mailing this letter to Juneau, but also plan to bring a copy to the reception at the Anchorage Senior Center on Thursday, where I hope to have an opportunity to chat with you.

Please accept my best wishes for a successful term as governor.

Sincerely,

Marilynn S. Scott, Ed.D.

GARRI R. CONSTANTINE
BOX 207
DOUGLAS, ALASKA 99824
789-5108

C
ask Paul to write me
an answer on this
7

Cap 423

Dear Senator Abood

I am writing in support of your recently introduced legislation designed to overhaul the ~~Longevity Bonus~~, and restructure it as an annuity program. The question I have is, will I as a 35 year old lifetime Alaskan be able to contribute my annual dividend to the annuity program, provided it passes, and what kind of return will I reasonably be able to expect upon attaining age 65. Add, if I die before collecting my annuity, will my daughter or other surviving relative be able to retrieve my contribution from the annuity fund.

I am also concerned that the fund be available only to old timers who maintain residence in the State. My parents have retired out of state and do not collect either dividends of Longevity Bonus, and I feel this is proper. I do hear there are quite a few cases of senior citizens retiring out of state and continuing to collect Dividends and Longevity, and I am curious if you have any plans to address this problem.

Thank you for this concept, and good luck getting it through.

Respectfully Submitted

Garri R. Constantine
Garri R. Constantine

cc: Sen. Kertula
Sen. Duncan

RECEIVED
MAR 05 1987

February 15, 1987

Senator Mitch Abood
P. O. Box V
Juneau, Alaska 99811

Dear Senator Abood:

This is in response to your hearings concerning the ~~Alaska Longevity Bonus~~.

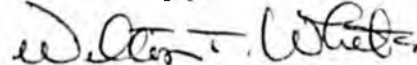
Although I do not fully understand the Annuity Credit alternative proposed in SB57 it appears that it does provide an option for the person(s) electing to remain in Alaska after reaching the age of 65 in the future as well as the continuance of the existing program and therefore I do support SB57.

Regarding the suggested proposal from the Governors office to reduce the amount of the bonus and place a cap on income it fails to differentiate between those who live in subsidized facilities as opposed to those trying to make it on their own on an income often just above the threshold he suggests.

Although I realize that it is unpopular the reintroduction of the state income tax might help resolve this and many other problems you face as it would require 'high income' seniors to participate in the cost of state government as well as helping stabilize the operational income of the state.

Thank you for your consideration.

Sincerely,



Wilton T. White
Box 254
Kodiak, Alaska 99615

486-5410

Original sponsors: Kerttula, Halford
and Fischer

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

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

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

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

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

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

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

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

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

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

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

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

1 make one withdrawal under this section and may pay it back with inter-
2 est under terms established by the commissioner.

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

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

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

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

MEMORANDUM

February 19, 1987

SUBJECT: Letter of intent for CSSB 56(SA)
(Longevity Bonus)

TO: Senator Mitch Abood
Chairman, State Affairs Committee

FROM: Keith B. Levy *KBL*
Legislative Counsel

Enclosed is a draft Committee Substitute for SB 56, relating to the Alaska longevity bonus and the annuity program. You also requested a letter of intent pertaining to the bill. This office does not generally prepare letters of intent. However, the following language incorporated into a letter of intent should accomplish your purpose:

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

If I may be of further assistance, please advise.

KBL:mkr
m9/029

Enclosure

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99801
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 7, 1987

SUBJECT: Durational residency requirement for
longevity bonus (SB 56 and SB 57)

TO: Senator Mitch Abood, Chair
Senate State Affairs Committee

FROM: Keith B. Levy ^{KBL}
Legislative Counsel

You have asked whether making the Alaska longevity bonus a "needs based" program with an income cap for eligibility of \$20,000 or \$25,000 would require reducing the residency requirement for the program from one year to 30 days. While it is difficult to predict with certainty the maximum durational residence requirement that is constitutionally permitted under any particular set of facts, it is true that making the longevity bonus "needs based" would open the current one year requirement up to serious attack.

A one year durational residency requirement presents potential constitutional problems in any state legislation. In the case of a program which provides the "basic necessities of life," however, the invalidity of such a durational residence requirement is almost certain. Thus, a one year residence requirement for the longevity bonus program, even in its current form, is open to constitutional challenge. Making the program "needs based" would make a successful challenge more likely if the court views the program as providing the basic necessities of life.

In Shapiro v. Thompson, 394 U.S. 618, 22 L.Ed.2d 600 (1969), the United States Supreme Court struck down various state provisions requiring indigents to be state residents for one year before being eligible for state welfare benefits. The court observed that in each case there was no question that the indigents were state residents, but they were being denied welfare benefits solely because they had not been residents for the one year period. The court concluded

that, while the state may require that welfare recipients be state residents, the one year requirement penalized the constitutional right to travel:

. . . any classification which serves to penalize the exercise of that right, unless shown to be necessary to promote a compelling governmental interest, is unconstitutional. (Emphasis in original.) Shapiro, 22 L.Ed.2d, at 615.

The court rejected various arguments of the states involved, including the argument that the one year waiting period served to prevent fraudulent receipt of benefits. The court pointed out that fraud can be prevented and residency established without the extensive waiting period. Shapiro, 22 L.Ed.2d, at 616 - 617.

In a footnote, the Shapiro court did state that its ruling was limited to the facts of the case:

We imply no view of the validity of waiting-period or residence requirements determining eligibility to vote, eligibility for tuition-free education, to obtain a license to practice a profession, to hunt or fish, and so forth. Such requirements may promote compelling state interests on the one hand, or, on the other, may not be penalties upon the exercise of the right of interstate travel.

Shapiro, 22 L.Ed.2d, n. 21, at 617.

The holding in Shapiro was extended to apply to medical benefits in Memorial Hospital v. Maricopa County, 415 U.S. 250, 39 L.Ed.2d 306 (1974):

Whatever the ultimate parameters of the Shapiro penalty analysis, it is at least clear that medical care is as much "a basic necessity of life" to an indigent as welfare assistance. And governmental privileges or benefits necessary to basic sustenance have often been viewed as being of greater constitutional significance than less essential forms of governmental entitlements. (Footnotes omitted. Memorial Hospital, 39 L.Ed.2d, at 315.)

The court acknowledged that a one year residence requirement may sometimes be justified, as in the case of charging lower tuition to one year residents attending a state university:

While we fully recognize the value of higher education, we cannot equate its attainment with food, clothing and shelter. Shapiro involved the immediate and pressing need for preservation of life and health of persons unable to live without public assistance, and their dependent children. Thus, the residence requirement in Shapiro could cause great suffering and even loss of life. The durational residence requirements for attendance at publicly financed institutions of higher learning do not involve similar risks. (Memorial Hospital, 30 L.Ed.2d, n. 15, at 316.)

Accordingly, the court left open the possibility that a one year residence requirement could be upheld in certain instances, but not where the benefit involved is one of the basic necessities of life.

It is difficult to say whether the Alaska Supreme Court would view an income cap of \$20,000 or \$25,000 as making the longevity bonus a benefit involving the "basic necessities of life" within the meaning of the Shapiro and Memorial Hospital cases. It can certainly be argued that any income cap would make the program a "welfare" benefit so that the court would view it as providing basic necessities. And the lower the income cap gets, the more likely the court will reach this conclusion. Thus, a \$20,000 income cap is more subject to challenge than a \$25,000 cap.

Section 1(b), ch. 38, SLA 1984, states:

The longevity bonus program is not a form of welfare and is not a substitute for or supplement to public assistance. Other programs are available to provide the basic necessities of life. The longevity bonus program is intended to encourage elderly Alaskans to spend their retirement years in the comfort of their homes.

This language is obviously intended to protect against a challenge under Shapiro and Memorial Hospital. However, setting an income cap on eligibility for the bonus would seem to repudiate that language by making the bonus available only to those Alaskans who need it.

In Dunn v. Blumstein, 405 U.S. 330, 31 L.Ed.2d 274 (1972), the United States Supreme Court struck down a one year residence requirement for the right to vote as penalizing that important constitutional right. In a similar case, the Alaska Supreme Court struck down a 75 day residence requirement for voting in state elections. State v. Van Dort, 502 P.2d 453, 454 (Alaska 1972). In each case, however, the court did find that a 30 day residence requirement would serve the compelling state interest in preventing voter fraud and voting by nonresidents.

In subsequent cases, the Alaska Supreme Court seems to have taken an even broader interpretation of the right to travel and a more critical view of durational residence requirements than the United States Supreme Court. For example, in State v. Adams, 522 P.2d 1125 (Alaska 1974), the court held that a one year residence requirement to obtain a divorce in a state court violates the state constitution. This is in contrast to the United States Supreme Court opinion in Sosna v. Iowa, 419 U.S. 393, 42 L.Ed. 2d 532 (1976), in which the court upheld Iowa's one year residence requirement for seeking a divorce in the state, under the federal constitution. The court in Adams went so far as to say:

All durational residency requirements inherently infringe upon the fundamental constitutional right of interstate travel. Hence, all such requirements are prima facie invalid and will be countenanced only when they serve a compelling state interest. (Footnotes omitted. Adams, at 1131.)

In State v. Wylie, 516 P.2d 142 (Alaska 1973), the court struck down a one year residence requirement for public employment, saying the state had failed to advance a compelling justification for the requirement.

The standard for reviewing durational residence requirements in Alaska was altered somewhat after the Alaska Supreme Court adopted a new test under which state equal protection challenges are considered:

The classification must be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced shall be treated alike. (Isakson v. Rickey, 550 P.2d 359 (Alaska 1976).)

Even under the new standard, however, the court requires the state to provide a high level of justification before it will sustain a durational residence requirement. Applying this new standard, the court struck down a borough ordinance requiring one year of residence in the borough to participate in the borough's land lottery. Gilman v. Martin, 662 P.2d 120 (Alaska 1983).

The significance of the Adams, Wiley, and Gillman cases is that the court struck down the one year residence requirements even though they did not involve "basic necessities of life." Thus, it appears that the Alaska Supreme Court goes much further than the United States Supreme Court in durational residence challenges. Accordingly, even if the longevity bonus is not viewed as providing the basic necessities of life, the one year residence requirement could be overturned by the court. The Alaska Supreme Court has upheld durational residence requirements for eligibility to run for the state legislature (Gilbert v. State, 526 P.2d 1131 (Alaska 1974)); for eligibility to perform jury duty (Hampton v. State, 569 P.2d 138 (Alaska 1977)); and for eligibility to run for a municipal office (Castner v. City of Homer, 598 P.2d 953 (Alaska 1979)). However, the distinguishing factor in each of these cases is that the residence requirement was for a position involving important policy making responsibilities.

The longevity bonus in any form seems to be more akin to the cases in which the durational residence requirements were struck down than the cases in which they were upheld. It is simply a state benefit, not a policy making position. The kinds of justifications the state could put forth for the one year requirement -- protection of fiscal integrity of the program and preventing people from moving to the state solely to obtain the benefit -- have been rejected by both the Alaska Supreme Court and United States Supreme Court. However, setting an income cap for eligibility for the program will certainly add to the arguments against the one year requirement, since such a change is likely to make the program more of a "basic necessity of life" rather than a mere supplement to income.

In Jeffrey v. Colorado State Department of Social Services, 599 P.2d 874 (Colorado 1979), the Colorado Supreme Court struck down a state old-age pension plan which contained a durational residence requirement. The court rejected the argument that the pension was merely an income supplement

Senator Abood
February 7, 1987
Page 6

because, under state law, the pension benefit was reduced in proportion to the amount of an individual's other income. This provision made it clear to the court that the pension was intended to meet the basic necessities of life, not to supplement other income. Similarly, setting an income cap on eligibility for the longevity bonus would add to the arguments that the program provides basic needs and the one year durational residence requirement is unconstitutional.

In conclusion, it is possible that the Alaska Supreme Court would find the one year residence requirement for the longevity bonus unconstitutional even in the program's present form. However, setting an income cap for eligibility for the program will certainly add to the likelihood that the residence requirement would be struck down if challenged. The strength of such a challenge will depend, in part, on the details of how the "needs based" program would operate. The lower the level of income at which an individual becomes eligible, the greater the likelihood that the court will view the program as providing the basic necessities of life, thus increasing the chance that the one year requirement will be struck down.

If I may be of further assistance, please advise.

KBL:mkr
m8/105

Original sponsors: Kerttula, Halford
and Fischer

1 IN THE SENATE

BY THE STATE AFFAIRS COMMITTEE

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1986 Ballot Measure No.3

Questions and Answers About Proposed Longevity Bonus Alternatives

September 1986

Division of Strategic Planning

OMB

STATE OF ALASKA
BILL SHEFFIELD, GOVERNOR

STAFF PAPERS AND REPORTS

OFFICE OF MANAGEMENT AND BUDGET

**QUESTIONS AND ANSWERS
ABOUT PROPOSED
LONGEVITY BONUS ALTERNATIVES**

By Gregg Erickson

September 1986

Division of Strategic Planning
Office of Management and Budget
State of Alaska

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Introduction

In November 1986 Alaska's voters will be asked to advise lawmakers on the future of the Alaska longevity bonus program. The voter's pamphlet prepared by the Division of Elections contains a description of the ballot measure, including *pro* and *con* statements. This report provides a more detailed analysis of the alternative proposals, and why the legislature decided to put the matter before the electorate.

Gordon S. Harrison
Associate Director
September 1986

QUESTIONS AND ANSWERS ABOUT PROPOSED LONGEVITY BONUS ALTERNATIVES

What is the Alaska Longevity Bonus?

The bonus program pays \$250 per month to almost every Alaskan resident who is 65 or older and who has lived in the state for the one year immediately preceding the date of application.

How long has the state been making these payments?

The program was established in 1972, and the first checks were sent out in January of 1973. Initially the monthly check was \$100, but increases were granted in 1976, 1978, 1980, and finally in 1981, when the present level of \$250 per month was established. Until 1984, eligibility was restricted to persons who were present in Alaska during territorial days, and who had 25 years continuous residency in Alaska. In 1984, however, the residency requirement was reduced to one year, opening the program to most elderly Alaskans.

Isn't it pretty unusual for a state to pay its residents money just because they happen to be above a certain age?

Alaska is the only state where age alone entitles a person to a cash benefit, but it is quite common for non-cash benefits or various subsidies to be awarded solely on the basis of age. For example, persons 65-and-over are entitled to an additional federal income tax deduction, and many states allow property tax credits to the elderly.

What purpose was the bonus supposed to serve?

It was to provide elderly, longtime Alaskans with "an 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 in areas far away from the land they loved and nurtured,...[thus] depriving future generations 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.

If the purpose of the bonus program was to keep oldtimers from leaving, why did the state open the program to newcomers in 1984?

In April 1984, in the case of *Vest v. Alaska*, the Alaska Supreme Court ruled that the residency requirements of the bonus program violated the equal protection provisions of the Alaska and U.S. constitutions. Rodney Vest, the plaintiff, had

established residence in Alaska in April 1959. Under the original law, Vest would never have been eligible to receive the bonus because he arrived in the state three months after it ceased to be a territory. In 1982, at the age of 67, Vest argued that it was unfair and unconstitutional to deny him the payments just because he was a relative newcomer.

The court agreed, explaining that "[i]t is [the] supposition that living in territorial Alaska makes an individual entitled to special *legal* stature that is impermissible. The federal Constitution prohibits states from making such determinations. The basic predisposition to take care of one's own -- and no one else's -- is no longer a permissible goal for a state that has joined the federal union." The court did not order the state to pay Mr Vest the bonus. Instead, it struck down the entire program. With the final Supreme Court decision in the Vest case coming in early April of 1984, the legislature had to produce some sort of constitutional replacement for the bonus in the final two months of the session, or see the program expire altogether.

Even though it never directly benefited more than about two percent of the state's population, the residency-based bonus program had enjoyed broad political support. Sudden financial dislocations to the 10,000 elderly receiving the bonus in early 1984 would not have been desirable under any circumstances; legislators had no trouble agreeing that it was particularly undesirable in a year when 51 of the 60 legislative seats were up for election. Although a number of other approaches were proposed, legislators soon decided that it was better to extend the bonus to the 5,000 elderly not then receiving the entitlement, than to cut off, "cold turkey," the 10,000 who were. A bill was passed which re-established the bonus as a program for almost everyone over 65 with one year of Alaska residency. (To avoid loss of federally funded welfare benefits, the legislature later removed the eligibility of persons in nursing homes.)

The new law was to be temporary, and by its own terms was to be repealed in June of 1985, though the next legislature put that date off into the indefinite future. A special committee was established, chaired by former Governor Jay Hammond, to report in early 1985 on the feasibility of replacing the bonus "with an annuity program, a needs based program, or other longevity program." Establishment of the Hammond committee and the limited life assigned to the newly universalized bonus reflected the view that the fundamental changes in the bonus program forced by the courts and growing costs required a major rethinking of this part of the state's policy toward the elderly.

How much additional cost resulted from opening the program to everyone 65-and-over?

The program cost \$27.5 million in fiscal 1983, the last full fiscal year of the residency-based program; in the first full fiscal year of the universalized program (FY 85) the cost was \$43.1 million, a 57 percent increase. Costs of the universal program (which we still have) are currently growing at a rate of about 6 percent per year. Some evidence suggests that the availability of the bonus has caused a

slight increase in elderly migration to Alaska, mostly by individuals with adult children in the state. But even without this effect other demographic factors suggest that the number of 65-and-over Alaskans will get larger, even if the state as a whole loses population. Unless there are program changes, OMB estimates that the bonus's share of the state's general revenues will grow, due to the combination of declining spending elsewhere and an expanding elderly population, from about 1.8 percent in fiscal 1986 to the neighborhood of 4 percent in fiscal 1990. The prospect of this fiscal growth has forced politicians to search for alternatives to the current bonus program.

What alternatives have been considered?

More than a dozen proposals have been advanced, but in general there have been four different approaches.

1. Phase-out the bonus over a relatively extended period, either by gradually reducing the monthly benefit (say, by \$25 per year), or by progressively raising the eligibility age. The latter approach was sometimes described as "stairstepping," and in 1985 was generally the approach taken by the House of Representatives

2. Transform the bonus into a welfare program. Only those elderly able to demonstrate "need" in relation to some measure of wealth or income would receive payments.

3. Two plans were advanced that would require recipients to provide some sort of public service work to maintain eligibility for the bonus, but would otherwise leave the universal elderly benefit unchanged.

4. Gradually replace the publicly funded bonus payment (which would be phased-out over a period of years) with the proceeds of an individually purchased annuity. (An annuity is a contract which guarantees the holder regular payments under specified circumstances, for example monthly payments after the holder reaches a certain age.) Funds for purchase of the annuity contract would come from the individual's own permanent fund dividend. Those who chose to keep their dividend would receive no annuity payments and after the phase-out, no bonus payments either.

The Hammond committee recommended a type of annuity plan tied to the Permanent Fund dividend, although a minority on the committee favored either a more straightforward phase-out of the bonus or its transformation into a public assistance program with a "needs" test for eligibility. In 1985, legislators were able to agree on phasing-out the bonus as a universal entitlement for elderly Alaskans, but could not agree on how to accomplish that objective.

The House supported a relatively uncomplicated phase-out, accomplished by restricting eligibility to individuals who reach 65 before January 1, 1988. Costs would begin to decline in 1988 as mortality gradually reduces the size of the eligible population. The Senate favored a version of the Hammond committee's annuity plan. The Senate would also phase-out payments from general revenue, though not as quickly as the House proposal. Costs under the Senate plan would continue to increase until about 1994. Individuals who had opted to enroll in the annuity part of

the Senate plan (and had given up their dividends) could eventually receive annuity payments comparable to the old bonus payments.

After the two sides had been deadlocked for several weeks, they adopted both ideas into law, but made neither effective until the other is repealed. The idea was that one or the other plan would be repealed in 1987. To help the 1987 legislature decide, the advice of the voters will be solicited at the November 1986 election. Until the legislature acts again the current bonus program -- with its growing population of beneficiaries -- remains on the books.

So in November voters will be choosing between the Senate's plan and the House's plan?

Not exactly. The ballot measure will briefly describe both proposals, and note that both were adopted into law but that neither will take effect unless the legislature chooses one of them. Then it will ask "Should the legislature adopt the annuity option?" -- yes or no.

But if a majority votes "no" on the Senate's annuity plan, won't the House plan be put into effect?

Not necessarily. Although the legislature's actions imply that a "no" vote is a vote for the House plan, the members of the 1987 legislature may see it only as a vote against the Senate approach. Even an unambiguous "yes" vote does not insure that the legislature will act to put the annuity phase-out plan supported by the Senate into effect. This is only an advisory ballot; regardless of what voters may intend by voting "yes" or "no," legislators are legally free to disregard the results of the advisory ballot.

Why didn't the legislature put both options directly before the voters, and have whichever plan the voters approved become law?

It is not clear why the legislature decided to put the question to the voters as a "yes" or "no" on the Senate proposal rather than a choice between the alternatives on which the legislature deadlocked. We do know why the vote is advisory only: According to attorneys, allowing the voters to actually choose which proposal becomes law would be an unconstitutional and illegal delegation of legislative power.

Who actually wrote the language of the ballot measure?

The legislature included language for the ballot measure in the 1985 act. The language that will appear on the ballot is slightly different, having been revised for clarity by the lieutenant governor, the state's chief elections officer. The wording that will appear on the ballot is found in Appendix B. The original ballot language can be found on page 12 of the current longevity bonus law, reprinted here in Appendix D.

How would the bonus be changed if the 1987 legislature adopts either of the two proposals?

Let's start with the House proposal since it is simpler. If you were born before January 1, 1923, the bonus program will continue for you as if nothing had changed. If you were born on or after that date you will get nothing. Looking at it another way, if you turn 65 before 1988, you are grandfathered "in;" if your 65th birthday comes in 1988 or anytime after, you are "out."

Among the effects of the House plan is that everyone getting the bonus now will remain eligible in the future. Another effect of this arrangement is that the minimum age to qualify for the bonus will increase by one year each year. At the beginning of 1989, eligibility will be restricted to those 66 and older; at the beginning of 1990, the only persons eligible will be age 67 and older. By the year 2034 the eligibility age will have risen to 111. Somewhere around that time the last eligible individual in Alaska will have died, and the program will end.

What about a person born before 1923 who just arrived in Alaska? Do newcomers get the bonus too?

Yes, after they have lived in Alaska for the required one year. A person arriving in Alaska in 1990 at age 70, for example, would be eligible sometime in 1991, after he or she had established residency by living here for one year.

How about an eligible person who leaves Alaska and then returns?

Before receiving each month's check, recipients certify with a postcard that they are physically present in Alaska. Bonus recipients who plan to be absent from the state for more than 30 days are required to notify the state so that payments can be stopped. Payments immediately resume when the person returns if the total time voluntarily spent out of state during the preceding 12 months was less than 90 days. If the total voluntary absence is greater than 90 days the individual is treated like any other newcomer, and must wait a full year to again qualify.

Until 1985, the limit on voluntary absences was 180 days. Analysts have long noted a seasonal cycle in bonus payments with peaks occurring in late summer and troughs in late winter which were believed to reflect increased travel outside the state during the colder months. After shortening the length of a permitted absence, several hundred otherwise eligible recipients dropped out of the program, suggesting that some elderly Alaskans may be willing to forgo the financial benefits of the bonus in favor of maintaining the practice of prolonged winter trips out-of-state.

Would this 90 day limit also apply under the Senate plan?

Yes. With respect to people born before 1923 (e.g., people who reach 65 before 1938) the two proposals and the current law are identical -- those people are grandfathered and for them it will be as if the law were never changed. People born after 1937 (e.g. people now younger than 49) would also be treated identically under either the House or Senate proposal -- they will never get a bonus.

The differences between the Senate and House plans must be particularly important for people born between 1923 and 1937, since the choice doesn't seem to matter for anybody else.

The only individuals with a direct personal stake in the choice between the two alternatives for phasing-out the bonus are people born between 1923 and 1937, i.e., people who are now between age 49 and age 63. Under the House plan they will never receive a bonus. Under the Senate plan they would receive a bonus after they turn 65, but the amount of the bonus check would be reduced each year in step with the increasing maximum possible annuity payment obtainable under the Senate annuity proposal.

In a general sense, of course, everyone has a stake in the choice of plan, as citizens in a more or less just society and as taxpayers whose money is redistributed to the elderly by means of the bonus program.

What is "the maximum possible annuity payment" under the Senate plan, and how does it relate to the bonus that the Senate plan would give to persons who become 65 in 1988 or later?

The Senate plan would create an optional annuity purchase program funded with permanent fund dividends. If you chose the maximum level of participation in the program (which would be available only to those born in 1923 or later) you would receive no dividend. Instead, the state would use your money to establish an annuity account on your behalf. Interest earned on your investment would accrue to the account, and on reaching age 65 the money in the account would be used to purchase an annuity, probably from a large insurance company, with you as the beneficiary. For the rest of your life you would get a fixed monthly annuity check. The amount of the declining bonus received by persons with birth dates in 1923 or later is determined by amount of the maximum possible monthly straight life annuity payment for a person giving up all possible permanent fund dividends, subtracted from \$250. The idea was that the combined bonus and annuity of those who made the maximum contributions would never fall below \$250 per month.

For example, a person turning 65 in 1988 (i.e., born in 1923) would have had the opportunity to give up only one dividend, of about \$600. The maximum straight life annuity that could be purchased with \$600 for a person age 65 would be about \$5 per month, so the bonus in 1988 for persons turning 65 in that year would be about \$245 per month.

A person turning 65 in the year 2000 (i.e., someone now age 51) could have contributed a maximum of 13 full permanent fund dividends. OMB estimates that the maximum annuity obtainable from this investment in 2000 will be about \$164 per month. Thus the bonus received in 2000 by everyone between the ages of 65 and 77 would be \$86 (\$250 minus \$164). This bonus would be received regardless of whether or not the individual had participated in the proposed annuity program. As shown in the table below, sometime around 2003, the maximum annuity will exceed \$250 per month. Thereafter no bonuses will be paid to persons born in 1923 or

later. The table is necessarily based on guesswork concerning future permanent fund dividends, annuity investment earnings, and the implementation of the annuity mechanism in the Senate bill. The exact amounts will not be known until a few months before they are paid.

Table 1.
SENATE ANNUITY PLAN
 Estimated Monthly Bonus Payments For Persons
 Reaching Age 65 in 1988 or Later (Born in 1923 or Later)

<u>Fiscal Year</u>	<u>Maximum Monthly Annuity</u>	<u>Monthly Bonus</u>
1988	\$5	\$245
1989	\$12	\$238
1990	\$29	\$231
1991	\$27	\$223
1992	\$36	\$214
1993	\$46	\$204
1994	\$57	\$193
1995	\$70	\$180
1996	\$85	\$165
1997	\$101	\$149
1998	\$120	\$130
1999	\$141	\$109
2000	\$164	\$86
2001	\$190	\$60
2002	\$219	\$31
2003 and after	further growth	\$-0-

Remember, persons who reach 65 before 1988 are not affected by the declining bonus. They continue to get the full \$250 per month under either the House or Senate proposals.

Who will be responsible for managing my annuity account investment?

The state Commissioner of Revenue.

Suppose I put my dividend into the annuity. Can I get my money out if I have a sudden financial emergency?

No. Once invested in the state sponsored annuity your money will not be available to you until you become 65, and then only as monthly annuity payments.

Do I lose my annuity if I leave the state?

No. If you invested in the annuity program and are 65 or over, you are entitled to your monthly annuity check, regardless of where you reside. The checks won't necessarily start coming by themselves, however; you will probably have to apply for them.

What if I should die? Will my survivors get anything?

Persons contributing to the annuity will be able to choose a survivor benefits option, but doing so will reduce the monthly annuity amount that you will receive. The declining bonus amounts shown in Table 1 are calculated using the "maximum possible straight life annuity," which is obtained by foregoing all dividends and not choosing the survivors option. The annuity investments of those who die before age 65, without having chosen the survivor option will be divided equitably among the accounts of those who survive.

Assuming the Senate plan is adopted, can I avoid paying income taxes on my permanent fund dividend by giving it to the state to put in my annuity account?

No. Regardless of whether you take the dividend in cash or have it put in your annuity account, you still will be required to report it as taxable income on your federal income tax return.

What about the interest earned by my annuity account or the monthly annuity payments? Would taxes be due on either of these?

Under the current federal income tax law, the interest earned on your annuity account is not taxable as it accrues. Any tax liability on the interest accruals is avoided through wording in the statute that denies any legal obligation to pay anything to you. When you do receive your annuity payments, however, you will have to pay taxes on the part of each annuity payment that is paid from the interest earnings on your contributions.

Are you saying that the state is not legally bound to pay me back any of the permanent fund dividend money I might deposit in my annuity account?

That is correct. The law says that notwithstanding anything else, the state "is not obligated to provide annuity payments for annuity credits...." (AS 43.23.130 .) Without this language you would be required to pay taxes each year on the interest accruing to your account. According to the attorney general's office, the state's deferred compensation plan for its own employees operates under similar language.

How would the proposed revisions to the federal tax code affect the Senate's annuity plan?

The effects of the new tax bill on the annuity program are not yet clear.

Could I take my permanent fund dividend to an insurance company right now, and use it to buy an annuity much like the one that the state would be offering under the Senate plan?

Yes, many such plans are available from insurance companies, banks, and other institutions.

Will the state annuity proposed under the Senate plan be more attractive than plans now available from insurance companies and others?

Alaskans will choose or not choose to give up their dividend based on the details of the annuity program available from the state, the earnings rate that they expect to receive from the state, and how well the program is marketed. None of these details are known, but there are reasons to anticipate that few people will opt for the annuity.

Why might the annuity plan not be popular?

A dividend recipient must first decide that he or she wishes to devote the proceeds of the dividend to obtaining additional retirement security. National economic data indicates that Americans devote less than 10 percent of incremental income to savings as a whole. Retirement saving, such as the proposed annuity plan, is a smaller subcategory. Demographic and economic factors suggest that the marginal savings rate in Alaska is lower, although surveyed recipients of the 1982 and 1983 dividends reported that they devoted from 18 to 20 percent of those dividends to savings generally. In any event, the percentage of their dividend that most Alaskans would wish to save is likely to be less than the minimum 25 percent annuity contribution allowed under the Senate proposal.

But if a dividend recipient should wish to devote as much as 25 percent of the dividend to retirement savings, will he or she prefer the state's annuity plan over the alternatives? Insurance industry sources, though naturally disposed to favor their own annuity products, are confident that few will choose the state plan over their own offerings, in part due to the inaccessibility of the individual's investment under the Senate plan. "When I sell annuities to people, the one thing everyone asks about is the ability to get their money out in an emergency," noted one agent. "I just don't think anyone will be very interested in a plan that doesn't have that escape hatch, even if it did offer a better earnings rate."

These factors might be overcome by aggressive marketing or relative ease in obtaining the state sponsored annuity. If the Senate annuity plan is adopted, however, a section along the following lines will have to be added to the permanent fund dividend application.

SECTION 11.

(CHECK ONLY ONE BOX.)

A. I wish to receive 100 percent of my dividend as cash in a check from the state

If you checked box A you have completed your dividend application. Be sure it is properly signed and witnessed and received by the Department of Revenue or postmarked before June 30, 1987.

B. I wish to have all or part of my dividend used to create an annuity account which will be maintained for me by the state.

If you checked box B, you must use the boxes in Section 12 on the next page to choose the options you prefer.

SECTION 12.

A. How much of your dividend should go to you as cash and how much to your annuity account (CHECK ONLY ONE BOX).

- 100 percent to my annuity account.
- 75 percent to my annuity account, 25 percent to me as cash in a check from the state.
- 50 percent to my annuity account, 50 percent to me as cash in a check from the state.
- 25 percent to my annuity account, 75 percent to me as cash in a check from the state.

B. Indicate below whether or not you wish to choose the survivor's option. Remember, you may not change your choice once an annuity credit is issued to your account.

(CHECK ONLY ONE BOX).

- I do not want the survivor's option. I understand that my survivors will receive nothing from my annuity should I die before reaching age 65.
- I want the survivor's option. I understand that my annuity payments on reaching age 65 will be reduced as a result of this choice.

Experts will no doubt word the application differently. Even so, the natural inclination of most applicants will be to choose the cash and skip the rest.

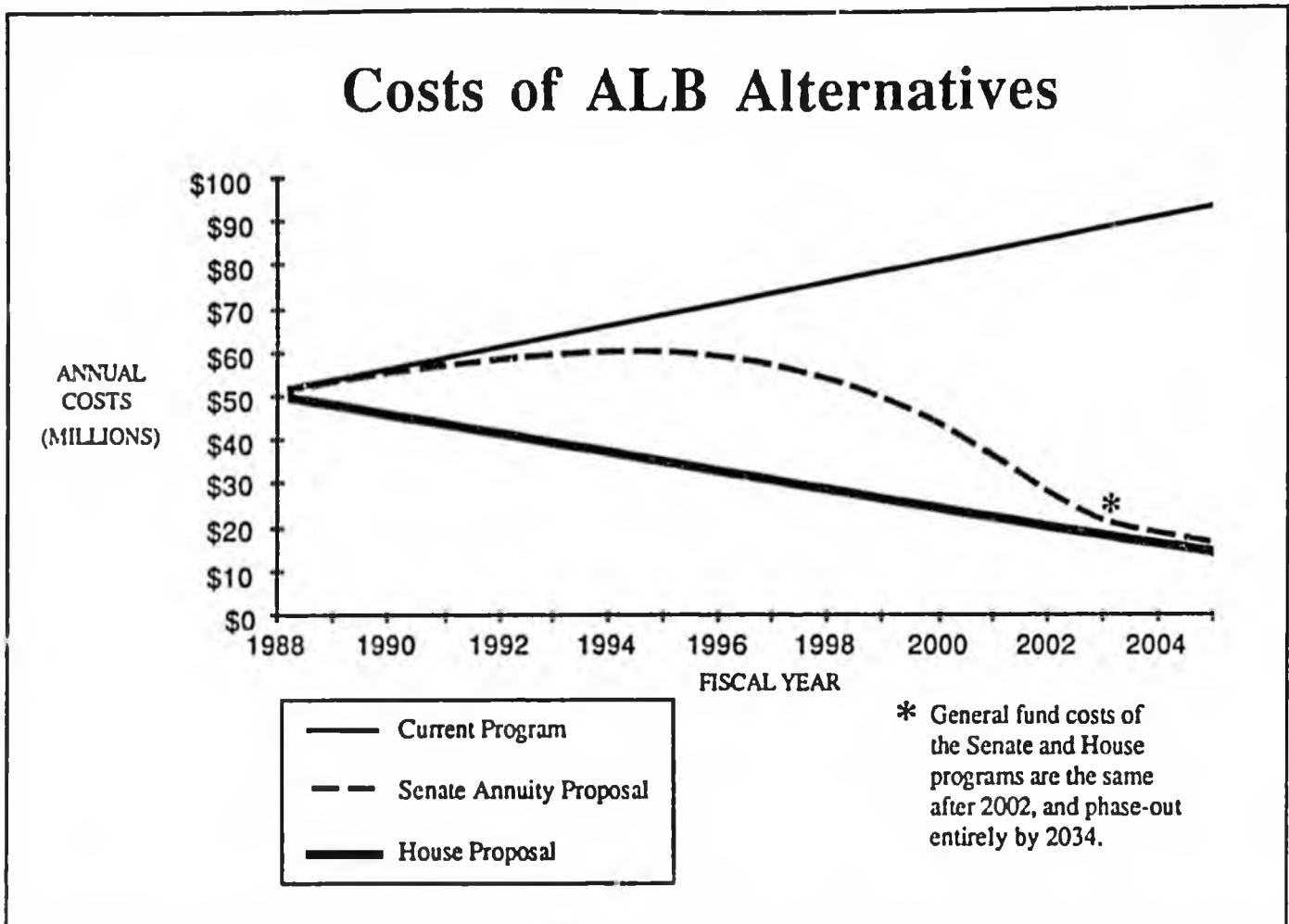
Will a shortage of annuity participants create any problems?

The administrative costs of the annuity program are to be deducted from the annuity investment fund. These deductions will likely be a proportionately greater burden if relatively few Alaskans choose to participate in the annuity program.

What about the cost to the taxpayers? The Senate plan is better for folks who are now 49 to 63, but doesn't that also mean it is going to cost more?

Yes, because it pays bonuses to those younger individuals the Senate annuity plan will cost more than the House approach, especially during the 1990s. For example, OME estimates that in 1995 the cost of the House program will be \$34.6 million, compared with \$59.2 million for the Senate bill in that year. After about 2002, the declining bonuses which the Senate program will pay to these younger individuals will have been eliminated by the increasing maximum annuity, so the costs of both programs will be the same after that year. The total costs through the year 2002 are \$521 million for the House plan, \$774 million for the Senate plan, and \$1,026 million for the current law. Under either the House or Senate program all costs will end by 2034. Here is a chart showing the annual estimated costs of the House and Senate alternatives and the costs of the current law if it is left unchanged. The annual costs are also shown in the Table in Appendix A.

Chart 1



What happens if the permanent fund dividends are eliminated sometime in the future?

Under the Senate proposal, permanent fund dividends play a critical role in the phase-out of bonus payments. Indeed, if the dividends were eliminated in 1987, the result -- under the Senate proposal -- would be an indefinite continuation of the bonus. In the Senate plan the declining dividend going to those born in 1923 or later is determined by subtracting the maximum possible monthly annuity from \$250. But what if the maximum possible annuity is zero, as it would be if the dividend program were eliminated in 1987? In that case the bonus of those born in 1923 and later would never decline below \$250 per month, and no phase-out would occur. Costs of the Senate program would then be the same as costs of continuing the current program.

Elimination of the dividends in later years would mean that the maximum possible monthly annuity would grow much more slowly than anticipated, and the bonuses received by those born in 1923 or later would decline more slowly than shown in Table 1. As a result, the costs of the Senate plan would be greater than the amounts shown in Chart 1 and Appendix A, though still less than the costs of continuing the current program.

Assuming the Senate plan were adopted, doesn't the tie between the dividend and the annuity lock the state into the dividend program in the future?

That argument has been made. As a legal matter, the legislature would remain perfectly free to eliminate either the dividend, the bonus program, or both at any time it chose. As a practical matter, the connection between the two programs under the Senate proposal may make the dividend politically more difficult to eliminate. Some see that as a good result, others the opposite.

APPENDIX A

General Fund Costs of Proposed Bonus Program Alternatives

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

<u>Fiscal Year</u>	<u>Costs of House Proposal</u>	<u>Costs of Senate Annuity Proposal</u>	<u>Costs of Current Law</u>
1988	49.3	49.9	49.9
1989	47.7	52.4	52.7
1990	45.5	54.8	55.6
1991	43.3	56.6	58.2
1992	41.1	57.9	60.7
1993	38.9	58.9	63.4
1994	36.7	59.2	65.9
1995	34.6	59.2	68.8
1996	32.5	58.2	71.4
1997	30.3	56.1	73.6
1998	28.2	53.2	76.1
1999	26.1	49.1	78.5
2000	24.1	43.7	81.1
2001	22.1	35.8	83.6
2002	20.2	28.2	86.2
2003	18.3	18.3	88.9
2004	16.5	16.5	91.6
2005	14.8*	14.8*	94.9†

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

†Annual general fund costs likely to continue increasing.

APPENDIX B

Ballot Language For Advisory Vote on Longevity Bonus Annuity Program

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

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

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

Should the legislature adopt the annuity option?

YES () NO ()

APPENDIX C



LAWS OF ALASKA

1985

Source

CCSSB 56

Chapter No.

99

AN ACT

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

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

THE ACT FOLLOWS ON PAGE 1, LINE 9

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

Approved by the Governor: June 7, 1985
Actual Effective Date: Sections 2 - 18 take effect on the date that section 1 of this Act is repealed; section 1 takes effect on the date that sections 2 - 18 of this Act are repealed; sections 19 - 24 take effect June 8, 1985

Offered: 5/11/85

Original sponsors: Ray, Halford,
Bennett, et al

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

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

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

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

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

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

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

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

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

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

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

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

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

14 I certify that

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

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

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

28 _____
29 (signature of individual, parent,

guardian, or other authorized
representative)

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

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

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

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

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

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

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

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

1 dend.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23 ARTICLE 2. ANNUITY PROGRAM.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 ed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

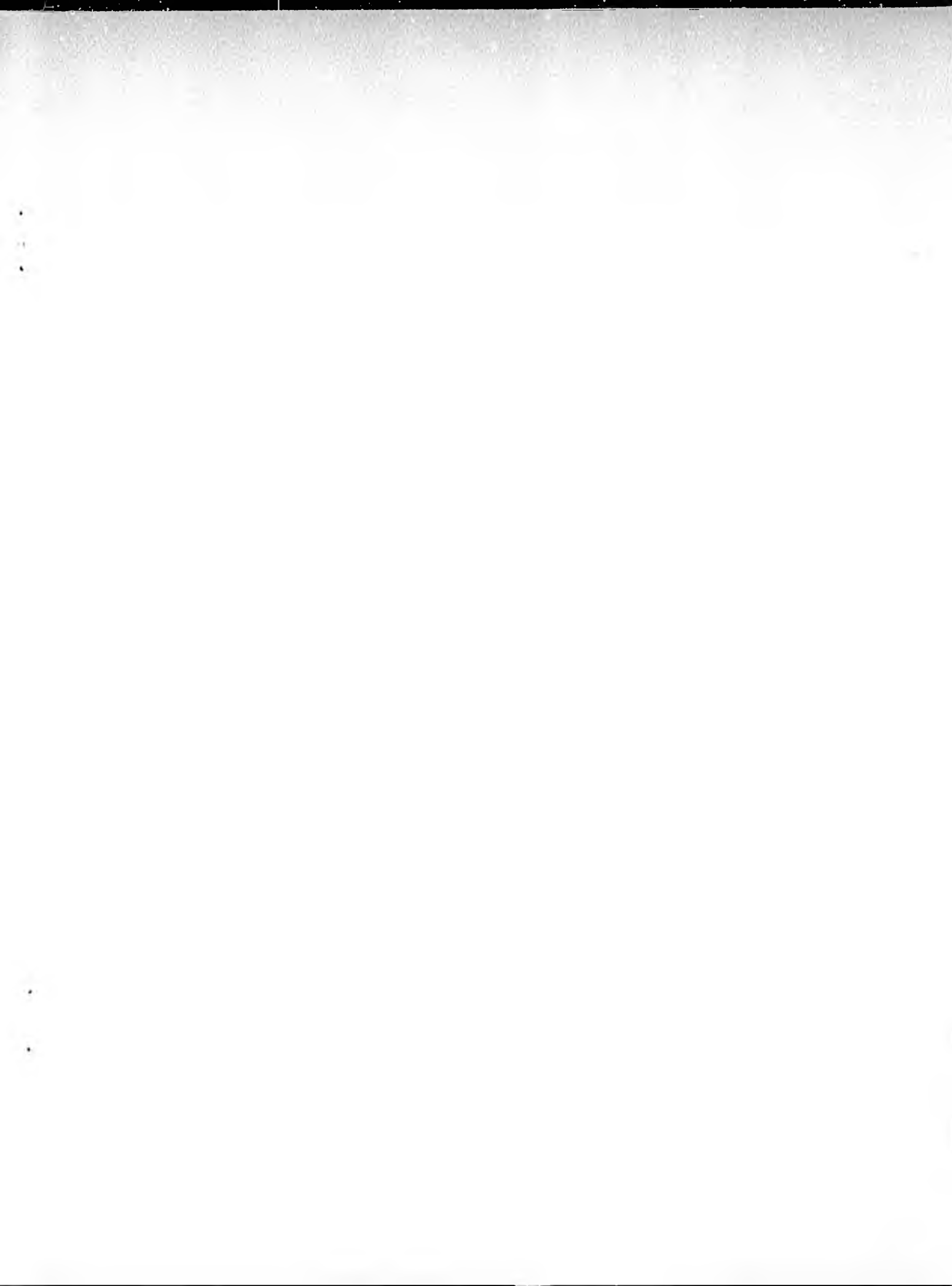
16 (3) Adult Public Assistance (AS 47.25.430 - 47.25.615).

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

21 Q U E S T I O N

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

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



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Pioneers' Benefits



Pioneer Woman and Child

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