



ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 320,000 MEMBERS

November 2008

Amendment 1 Vote Yes

Editorial

In addition to casting your vote in various political races this November, you will have an opportunity to vote on a constitutional amendment that will have a positive financial impact on education funding and the entire state. In 2002, the state established a Rainy Day Account for the Education Trust Fund (ETF). While having a Rainy Day Account has been a plus for education, it is flawed in its current form. **Amendment No. 1** on the November 4 ballot will help to fix that flaw.

Passage of **Amendment No. 1** will also create a Rainy Day Account for the financially strapped General Fund. Currently, the state's General Fund does not have any financial reserves in the event revenues do not meet projections, something that has occurred in the General Fund five times within the last 25 years.

Amendment No. 1 is not a tax increase or a "handout." It is a constitutional amendment that creates a loan to the ETF and/or General Fund if proration is declared by the Governor. Whatever is loaned must be repaid. By having the loan provision available, jobs can be saved and services can continue.

The RSA strongly recommends a "Yes Vote" on **Amendment No. 1**. ■

Wall Street & RSA Members

By David G. Bronner

The past two months should make every RSA member "burst with pride." The AEA, AERA, ASEA, ARSEA, and RSA have defeated political efforts over the last two decades to move our retirement systems from a Defined Benefit (DB) plan to a Defined Contribution (DC) plan. Why this is important is that in DB plans employees are not burdened with the investment risk, while in DC plans all the investment risk lies with the employees. If you have a 401k or know someone who has a DC plan, it is easy to understand the devastating consequences of the current financial crisis on the individual investor or retiree in a bear market.

During the last two decades, Corporate America has moved most of their employees from DB to DC plans, leaving only about 20% still retaining DB plans. Boeing is currently on strike because management wants to move their employees from a DB to a DC plan. In the public sector, three states have forced public employees into DC plans. One of those states has returned to their DB plan, but only after a long fight. At the same time, other states have forced their new hires to participate in a DC plan and not a DB plan. Hopefully, our members realize why I have always encouraged them to be a member of their active and retiree associations.

Over the past few years, some reporters in the media have focused on the RSA's declining funding levels. However, a decrease from 84% to 79% is certainly not a crisis, especially when most RSA members and state legislators understand the impact of "unfunded" COLAs on the systems' funds. On the other hand, the same reporters will not give RSA credit for its progress. In 1973, the RSA had 25% funding. In 2000, our funding level was over 100%. Bull markets will greatly improve our funding levels, just as bear markets knock our funding levels down.

The RSA will continue to have good years and bad years, just as we have had in past decades. The Teachers' Retirement System had an exceptional year in 2007 with investments returning 17.5%; in the top 12% nationally in investment performance. The Employees' Retirement System had 17.9% in investment returns; in the top 5% in investments compared to other pension funds.

The investment returns for the fiscal year ending September 30, 2008, are expected to be in the negative range of 15% to 16%. The verified results will be available within 30 days. ■

WHO HAS THE MONEY?

Top holders of foreign exchange reserves*

COUNTRY	RESERVES IN BILLIONS**	COUNTRY	RESERVES IN BILLIONS
China	\$1,244	Brazil	\$123
Japan	740	Algeria	108
Russia	433	South Korea	107
Taiwan	175	Libya	90
Kuwait	175	Norway	82
India	152	Singapore	67

* Minus cost of imports for four months ** All numbers 2008 estimates
Data: Global Insight

Editorial

The Anniston Star

The state of Alabama has made a commitment to the people who work for it. According to the agreement, employees will pay a certain portion of their income into a retirement plan. The state will put in an equal portion from its general revenue—to which employees also contribute.

This money will be turned over to the Retirement Systems of Alabama to wisely invest so that there will be sufficient pension funds for those who work long enough to qualify. Representatives of the retirees will not demand that the fund pay what it cannot afford. The state will not make demands on these funds that are illegal, inappropriate or unecological.

That is the deal.

To the casual observer, there is a big pot of money here—about \$30 billion in the two biggest funds, the ones that will pay pensions for teachers and most other state employees. In the past, politicians have looked on this with greedy eyes, but raids on it have usually failed. Thus,

the fund has remained solid over the years and the financial future for retirees has seemed secure.

As is the case with any investment, how well the RSA does depends on the state and national economy. As everyone knows, neither is doing well during this economic downturn. As a consequence, neither is the RSA.

According to a review of the systems' key measures, the financial health of the state's pension funds has fallen below the point recommended for pension plans for the third straight year. It's at the lowest level in two decades.

This is not good. What makes it worse is that in addition to the beating the RSA has taken from the nation's economic troubles, the systems received a hit from those who are supposed to protect it—the legislators.

No, Alabama's senators and representatives did not attempt to use RSA funds to balance the state budget—which has been tried before. All they did was give current retirees a raise without

putting money in the funds to pay for it.

Let's be fair: Current retirees—the classic “folks on fixed incomes”—needed a boost. Inflation has hit them hard.

And let's be practical: It was a good move politically; no politician has ever been hurt by helping the elderly.

But let's also be reasonable: You cannot take money out of an account and expect the bottom line to look better.

If the economy had improved and investments paid off at a higher rate, the Legislature's largess would have been covered and no one would have been the wiser. But the economy tanked and now the Legislature's action has been exposed as an extremely bad move.

As a consequence, when the Legislature meets next year, two things need to happen. It has to find a way to replace the money it “took” from the RSA. It also needs to resolve not to increase pensions without some assurance that the money will be there to pay the bill when it comes due. Employees of the state—current and former—deserve no less. ■

The Soil

Source: *National Geographic*

Virtually since 1492, when Columbus first set foot on the heavily forested island of Hispaniola, the mountainous nation has shed both topsoil and blood—first to the Spanish, who planted sugar, then to the French, who cut down the forests to make room for lucrative coffee, indigo, and tobacco. Even after Haitian slaves revolted in 1804 and threw off the yoke of colonialism, France collected 93 million francs in restitution from its former colony—much of it in timber. Soon after independence, upper-class speculators and planters pushed the peasant classes out of the few fertile valleys and into the steep, forested rural areas, where their shrinking, intensively cultivated plots of maize, beans, and cassava have combined with a growing fuelwood-charcoal industry to exacerbate deforestation and soil loss. Today less than 4 percent of Haiti's forests remain, and in many

places the soil has eroded right down to the bedrock. From 1991 to 2002, food production per capita actually fell 30 percent.

So what do you do if you live in the poorest nation in the Western Hemisphere, and the price of the primary carbohydrate—“Miami rice” from the U.S.—doubles? Mostly, you go hungry and watch your children do the same.

But there is more at stake than simply the ability of Haitian soil to feed a starving nation. Food-importing nations around the world also are suffering as the prices of staples skyrocket, raising critical questions about the goals of agricultural-assistance programs that over the past few decades have focused more on reducing tariffs and growing crops for export than on helping poor nations feed themselves.

...The problem, says ecologist and activist Sasha Kramer, is that these days

Haitian farmers can't sell enough man-goes to afford imported rice. To boost food production, Kramer and colleagues founded Sustainable Organic Integrated Livelihoods (SOIL), a nonprofit group that builds composting toilets in rural communities to get much needed organic matter and fertility back into fields. “With the current hunger crisis, it's very clear,” says Kramer, an adjunct professor at the University of Miami. “If Haitians had more local production, they would not be so vulnerable to imported food prices.”

Until then Haiti remains a poignant lesson in what soil scientists have preached for years: As a nation's soil goes, so goes the nation. ■

Election Day
VOTE YES
Amendment #1

Exciting Changes at the RSA!

Introducing the New Member Services Contact Center

There are many new and exciting changes happening at the RSA since the move to our new headquarters building in September. Coinciding with this move was the creation of the RSA Member Services Division and its Contact Center. This is great news for two reasons. First, Member Services Representatives will answer all member incoming calls to the RSA. That's right! No more having to listen to voice recorded menus or searching for the correct department. Our Member Services Representatives will assist you with your benefit questions and direct you to other RSA employees if needed.

Secondly, Member Services Representatives will now schedule counseling appointments at the RSA Headquarters

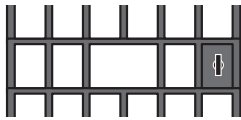
building for all ERS, TRS, PEEHIP, and RSA-1 counselors. When planning for retirement, it is very important to meet with our counselors before making decisions about your retirement benefits or health care coverages. This ensures that you are receiving the very best information available to make informed decisions. When scheduling the appointment, the Member Services Representatives will also give you directions to the RSA Headquarters building as well as instructions on parking. More information on scheduling appointments is available on our Web site at www.rsa-al.gov.

Members may still walk-in, but there are numerous reasons why it is advantageous to make an appointment:

- Meet with a counselor at the sched-

- uled time without waiting
- Enhanced parking spaces will be available
- May request a specific counselor
- Counselors will already have your paperwork prepared prior to your arrival
- Walk-ins may have to wait for an opening to meet with a counselor. The counselor will have to prepare the paperwork while the walk-in member waits.

Take advantage of Member Services' personalized assistance concerning your retirement and health care benefits by contacting the new Member Services Contact Center at 877-517-0020 or 334-517-7000. ■



Editorial

The Montgomery Advertiser

Sooner or later the Alabama Legislature is going to have to realize that if the state is going to have tough-on-crime laws that put a high percentage of its population behind bars for longer sentences than most other states, the state also is going to have to adequately fund its prisons.

Budget problems already have forced the Alabama Department of Corrections to delay plans for the foreseeable future to replace the aging and totally inadequate Tutwiler Prison for Women in Elmore County. Prison officials also have sold off large areas of state-owned land to raise money to cover maintenance and capital costs.

Now the department has plans to make correctional officers at seven state prisons begin working 12-hour shifts starting Oct. 1 as a way to cut overtime costs. The change should save \$3 million to \$4 million per year in overtime costs, which currently run more than \$25 million a year.

Staffing shortfalls at several other prisons currently make it difficult to adopt the new schedule, and Brian Corbett, spokesman for the agency, said some smaller facilities have such small

staffs that the 12-hour schedule may not be practical for them. But the department plans to eventually expand the 12-hour shifts to all larger facilities, he said.

The change initially will affect the St. Clair, Donaldson, Bullock, Easterling, Holman, Limestone and Ventress facilities. Bibb already is on the new schedule. While none of the facilities in the tri-county area will be affected in the first round, several should go on the new staffing schedule at some point.

Even with the changes, State Corrections Commissioner Richard Allen told the *Birmingham News* that the department may still have to reduce spending by a few million dollars to meet its budget next year.

Alabamians should keep in mind that these budget problems come despite this state running one of the leanest prison systems in the nation from a fiscal standpoint.

Corbett said the state's ratio of inmates to corrections officers is one of the highest in the nation, currently running about 10 inmates per officer. The national average is about 5 to 1, he said.

But the inequity is exacerbated by the department's troubles in hiring offi-

cers. Not counting trainees or supervisors, the department is currently authorized 2,649 corrections officers, but has just 2,020 on staff, for a shortfall of about 24 percent.

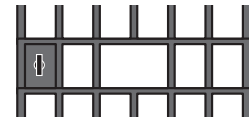
However, that still doesn't show the real problem. Studies in the past—and common sense—indicate that even if the department were staffed the prison system needs hundreds of additional officers for safety reasons.

What do you get if you take high numbers of prisoners per correctional officers, work correctional officers long hours through overtime or long shifts, and stuff all those inmates into aging facilities designed to hold half as many prisoners?

You get a formula for disaster.

It's tough to persuade the public and politicians to make prisons a high fiscal priority, especially in a state that underfunds many other public services.

But sooner or later, a riot or the deaths of corrections officers or a federal court case that forces large releases of inmates will make the point that long-term underfunding of state prisons can have dire negative consequences, and not just for inmates, but for the public as well. ■



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- Jan. 1–2, 7–13, 25–28

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- Jan. 1–5, 15–19, 25–27

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- Dec. 1–8, 11–30 • Jan. 1–4, 18–19

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- Dec. 1–4, 7–8, 11–17, 21–31
- Jan. 1–16, 18–20, 25–27

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- Dec. 1, 4, 6–15, 17–31
- Jan. 1–8, 11–14, 16–20, 22, 25–31

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- Nov. 1, 5–6, 10–15, 19, 22–25, 28–29
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RSA Spa Package – \$159

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Amendment #1
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