



# ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 325,000 MEMBERS

July 2009

## RSA Costs Continue To Increase

By Marcus H. Reynolds, Jr.

The RSA has received preliminary cost figures from its actuary for Fiscal Year 2011 for the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Public Education Employees' Health Insurance Plan (PEEHIP). These forecasts make what was a bleak outlook for the next budgets even worse. Collectively, approximately \$230 million "new dollars" will be required to fund existing benefit levels in 2011.

	2010 Cost	2011 Cost	Cost Increase
TRS	\$788 Million	\$845 Million	\$57 Million
PEEHIP	\$929 Million	\$1.086 Billion	\$157 Million
ERS*	\$195 Million	\$211 Million	\$16 Million

\*Excludes amounts for Section 12 (non-state) units

## Assets Start Recovery

By David G. Bronner

While RSA assets peeked in 2007, it is common knowledge that 2008 was a financial disaster. Not only did most stocks lose half their value in 2008, the old-line financial stocks – like AIG, Wall Street firms, and large banks – dropped 80-90% in value in a matter of months. As the media has reminded us on a daily basis for the last year, these losses along with plummeting housing prices have affected the entire economy.

Our President tells us that there is a "glimmer of hope," which has been reflected in the stock market rally of the last few months. This is based on a "really big assumption" that one of these hot spots – North Korea, Iraq, Iran, Afghanistan, Mexico, Israel, and Pakistan – will not create a crisis that deflates the current positive markets. In addition, the U.S. commercial real estate market is about to create a problem similar to the housing market, which in turn will affect the regional and smaller banks.

RSA real estate is in good shape. Our largest property, 55 Water Street in New York, is full. RSA's Montgomery office buildings are full. The RSA Tower in Mobile has only two vacant floors. One location where the RSA is exposed is **The Grand Hotel in Point Clear** due to Hurricane Katrina. Before Katrina, insurance on The Grand was about \$500 thousand with a \$500 thousand deductible. After Katrina, insurance proposals skyrocketed to \$5.5 million with a \$25 million deductible. Because of this, there is no flood insurance on this property.

All real assets in this financial environment including buildings, hotels, and television stations – just like our houses – have fallen in value. As the economy recovers this fall or by next spring, their value should reappear just as the stock market, absent any international crisis.

RSA members have no risk regarding benefits and investment results. But, all taxpayers, including members, must realize that good investment results provide our financial strength and hold down costs to the retirement systems. ■

## Federal Lawsuit Continues to Drain State Coffers

By William T. Stephens, Legal Counsel

A June 2006 *Advisor* article lamented the fact that state funds critically needed for state services that benefit Alabamians of every race, creed, and social and financial status were being diverted to pay for the continuous cost of seemingly never-ending federal lawsuits that began as early as the 1970s. In particular, the article noted that the state had incurred more than \$13 million in direct litigation expense since 2002 in the *Crum* case, and that the litigation expenses continued to mount. That case was originally filed in 1991 and sought certification as a class action. The 2006 *Advisor* article noted that the court had not yet ruled on the issue of class certification although the state had requested a ruling so that the case could move forward. In the meantime, numerous other persons were allowed to intervene as plaintiffs and the case dragged on without dispositive rulings.

A follow-up *Advisor* article in September 2008 noted that the cost to the state, since 2002, in the *Crum* case had risen to over \$15 million and continued to grow with no end in sight. That article noted that the court had promised a ruling on the class action issue by mid-July 2006 but that no ruling had yet been entered as of September 2008.

Almost a year later, the case is still pending, even though the claims of the original plaintiff, Mr. Crum, have been dismissed. No ruling on class action certification has been made and the state has incurred nearly another \$1 million in litigation expense. However, some progress has been made. While not ruling on class certification, the judge has directed that several of the claims filed in intervention proceed as separate cases, and, as a result, most of them have been resolved. However, the *Crum* case remains pending. How many of the individual claims asserted in that case could also be quickly resolved if each was addressed on its individual merit? Eighteen years is a long time to hold a Damoclean Sword over the state's head. ■

# Diplomas Keep the Doctor Away

By Penelope Lemov, *Governing*

Americans generally don't have that particular barrier to seeking professional help when there's a threat to our health—as anyone who's been to an emergency room on a Saturday afternoon can testify. But we have plenty of other non-medical impediments that keep us from being healthy. Last September, I wrote a column about a handful of academics who used a series of charts, graphs and yield curves to show that education plays a key role in one's ability to make use of health care. What the academics found was that a longer life span was connected to a college degree.

Now, the Robert Wood Johnson Foundation (RWJF) is taking the academic theories one step further. It has looked at research data and found that there's a direct link between a person's health and the level of education attained. In short, the higher your degree, the healthier you are. And the conclusions don't rest on a national snapshot. They look at the link between education and health in every state.

Take the numbers from Vermont. In the land of green mountains and clean air, 67 percent of those with less than a high school diploma say they are in less than good health; only 22 percent of college graduates make that downbeat assessment. The numbers from Mississippi are a variation on that theme. Among those who did not graduate from high school, 74 percent are in less than optimal health; among college grads, it's 37 percent.

There is even a noticeable health gap between college dropouts and college grads. In Maryland, for instance, 40 percent of those with some college education reported less than good health; only 28 percent of college graduates did.

The researchers also found that the link to education is strong regardless of racial or ethnic background. That said, there are racial and ethnic differences. At nearly every level of education, non-Hispanic whites fare better than adults in any other racial or ethnic group.

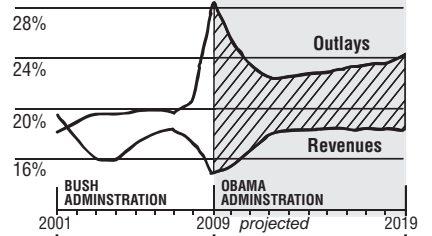
...The most discouraging part of the report is its implication for children. Undereducated parents tend to be poor and to rear their children in households with limited access to grocery stores that carry fresh fruits and vegetables; to live in less safe housing; to have insufficient access to safe places to exercise—all of which affect a family's health. "For the first time in our history, we are raising a generation of children that may live shorter, sicker lives than their parents," says Dennis Rivera, a commissioner of RWJF's Commission to Build a

Healthier America. "Once a child is on this track, the curve doesn't bend. It's important to remember this. Health care reform alone won't improve the health of most Americans." ■

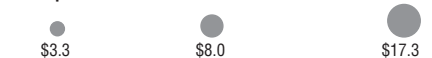
## THE GAP THAT NEVER CLOSES

The stimulus-driven bulge in federal deficits eventually narrows but keeps going, leading to a crushing burden of debt.

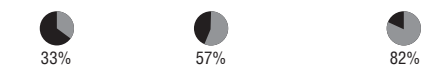
### U.S. outlays and revenues as a percent of GDP



### Total public debt TRILLIONS



### Total public debt as a percent of GDP



Source: FORTUNE

## WANT TO HELP?

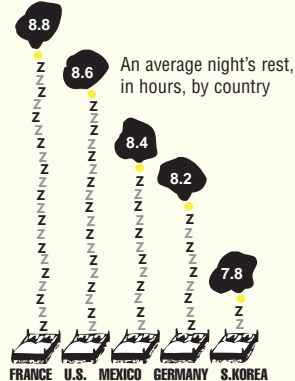
### A FREE Car Tag

Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call to request a tag at 334-517-7000, or 877-517-0020, or write:

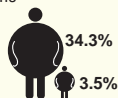
Tag, P.O. Box 302150 • Montgomery, AL 36130-2150



## HEALTH



More than a third of Americans are obese—the highest rate in the report and nearly 10 times that of South Koreans



### FRANCE

1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30

### U.S.

X

The French have 30 days of government-mandated paid leave per year. That compares with 20 in the U.K., 10 in Japan and zero in the U.S.

## AVAILABLE REVENUE

### CIGARETTE PACK TAX RANKINGS BY STATE:

#### TOP TAXES . . .

- ▶ 1. Rhode Island, \$3.46
- ▶ 2. New York, \$2.75
- ▶ 3. Hawaii, \$2.60
- ▶ 4. New Jersey, \$2.58
- ▶ 5. Massachusetts, \$2.51
- ▶ 6. Washington, \$2.025
- ▶ 7. Alaska, Arizona, Connecticut, D.C., Maine, Maryland, Michigan \$2

#### . . . AND BOTTOM

- ▶ 51. South Carolina, 7 cents
- ▶ 50. Missouri, 17 cents
- ▶ 49. Virginia, 30 cents
- ▶ 48. North Carolina, 35 cents
- ▶ 47. Louisiana, 36 cents
- ▶ 46. Georgia, 37 cents
- ▶ 45. Alabama, 42.5 cents
- ▶ 44. North Dakota, 44 cents

Source: Campaign for Tobacco-Free Kids list of rankings for states and Washington D.C.



## New TRS and ERS Board Member

New Finance Director, Bill Newton, takes the Oath of Office from Dr. Paul Hubbert for the TRS Board of Control on May 28. Mr. Newton also took the Oath of Office for the ERS Board of Control on June 4.



## TOP MARRIOTT AWARDS GIVEN TO RSA HOTELS

**Franchise Marriott Hotel of the Year**  
*Auburn Marriott Opelika Hotel and Conference Center at Grand National*

**Marriott General Manager of the Year**  
 David Clark, *Grand Hotel Marriott Resort, Golf Club & Spa*

**Renaissance General Manager of the Year**  
 Steve Miller, *Renaissance Ross Bridge Golf Resort & Spa*

**The RSA and all of Alabama are proud of your work!**

# The Dynamics of Leadership-Team Behavior

How managers interact says a lot about the state of a company

TEAMS ON THE WAY DOWN	TEAMS ON THE WAY UP
People shield those in power from unpleasant facts, fearful of penalties and criticism for shining light on the rough realities	People bring forth grim facts—"Come here and look, man, this is ugly"—to be discussed; leaders never criticize those who bring forth harsh realities
People assert strong opinions without providing data, evidence, or a solid argument	People bring data, evidence, logic, and solid arguments to the discussion
The team leader has a very low questions-to-statements ratio, avoiding critical input and/or allowing sloppy reasoning and unsupported opinions	The team leader employs a Socratic style, using a high questions-to-statements ratio, challenging people, and pushing for penetrating insights
Team members acquiesce to a decision but don't unify to make the decision successful—or worse, undermine it after the fact	Team members unify behind a decision once made, then work to make the decision succeed, even if they vigorously disagreed with it
Team members seek as much credit as possible for themselves, yet do not enjoy the confidence and admiration of their peers	Each team member credits other people for success, yet enjoys the confidence and admiration of his or her peers
Team members argue to look smart or to further their own interests rather than argue to find the best answers to support the overall cause	Team members argue and debate, not to improve their personal position but to find the best answers to support the overall cause
The team conducts "autopsies with blame," seeking culprits rather than wisdom	The team conducts "autopsies without blame," mining wisdom from painful experiences
Team members often fail to deliver exceptional results and blame other people or outside factors for setbacks, mistakes, and failures	Each team member delivers exceptional results, yet in the event of a setback each accepts full responsibility and learns from mistakes

ENJOY YOUR SUMMER  
A Special Deal  
FOR RSA MEMBERS

**The Battle House,**

**A Renaissance Hotel – Mobile – \$89**

- July 5–7, 10–16 • August 9–11, 17–20, 23–31
- September 1–3, 12–14, 20–23

**The Renaissance Riverview Plaza – Mobile – \$79**

- July 5–7, 10–16 • August 9–11, 17–20, 23–31
- September 1–3, 12–14, 20–23

**Marriott Grand – \$89** plus a 14% resort fee

- July 5–6, 12, 22
- August 2–4, 9–12, 16–20, 23–24
- September 2–3, 6–10, 12–23, 25–27

**Marriott Grand – RSA Golf Package – \$169**

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.

Call for Tee Times after booking package

- July 5–6, 12, 22
- August 2–4, 9–12, 16–20, 23–24
- September 2–3, 6–10, 12–23, 25–27

**Marriott Shoals – Florence – \$79**

- July 6–9, 19–21, 26–28
- August 2–4, 9–11, 19–20, 23–27, 30–31
- September 1–2, 13–14, 20–21, 27–29

**Renaissance Ross Bridge – Hoover – \$89**

- July 1–3, 5–28, 31 • August 1–9, 13, 16–31
- September 1–3, 6–8, 11–17, 20–22, 30

**Opelika Marriott – \$79**

- July 1–15, 19–22, 24–28, 31
- August 1–7, 13–19, 23–26, 29–31
- September 1–3, 6–10, 13–17, 20–24, 27–30

**Prattville Marriott – \$79**

- July 1–9, 15–16, 19–22, 26–31
- August 1, 9–19, 27–31
- September 4–12, 14–16, 20

**Renaissance Montgomery – \$89**

- July 1–12, 15–31 • August 1–5, 16–22, 28–31
- September 1, 4–7, 11–15, 24–27, 29–30

**RSA Spa Package – \$159**

Ask for code – LOCD Includes Deluxe Room

- July 1–5, 15–16, 21–23, 29–30
- August 4–5, 18–20
- September 1, 11, 24, 29–30

*Rates available the 1st of the month and are not applicable to groups.*

Code: RABM, 800-228-9290

Internet promo code: R2A on [marriott.com](http://marriott.com)

*Book Online and Save RSA \$4.*

# Spa Pampering Program

The Robert Trent Jones Golf Trail's Resort Collection has introduced the RTJ Spa Trail card, for \$40, which gives guests discounts on treatments, dining and guest rooms at five spa properties in Alabama ([www.rtgolf.com/resorts](http://www.rtgolf.com/resorts)).

**Spa Trail Card sales as of June 4, 2009**

The Grand Hotel . . . . .	634
The Battle House . . . . .	336
Renaissance Montgomery . . . . .	321
Renaissance Ross Bridge. . . . .	540
Marriott Shoals . . . . .	<u>203</u>
Total to date . . . . .	2,034

## THE RISING CHINA PRICE

Labor and currency costs have eroded the benefits of producing goods in China. Here, the cost to produce an aluminum auto part:

	2005	2008
CHINA	\$17	\$25
MEXICO	\$18	\$20
U.S.	\$24	\$29

Data: AlixPartners



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