



The ADVISOR

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Pension Plans Under Attack

By David G. Bronner

Nearly two decades ago, public pension plans across America were under attack by politicians whose campaigns were funded by various Wall Street money managers. Those organizations targeted public pension funds to change Defined Benefit (DB) programs, like the RSA has always had, into Defined Contribution (DC) programs, like a 401K. That change would force members to turn to these same Wall Street organizations to manage their money. After years of political battles, only a couple of states bit on the idea. One of those states, West Virginia, has actually gone back to the DB program when their members lost their retirement funds due to a crash in the markets.

The national attack on public pension plans has seen a renewal in 2010. This time it is based on the reduced funding levels of public plans, which have plummeted during the last decade. Wall Street investments took a severe hit with cumulative total returns of about 3.5%, well below the 7.5% to 8% normal investment return assumption. Those wanting change have pounced on public pension plans again.

Conveniently, the critics chose only a 10-year period to prove their point. However, if you look back over 20 years, the RSA and most large plans are right in line with the 8% assumption. If you go back 25 years, plans averaged 9%. Critics also forget that the RSA was 25% funded in 1973 and grew to over 100% funded in 2000.

The RSA is currently about 75% funded compared to a national average of about 80% after the worst decade since the 1930s. Those funding levels will continue to decline as gains and losses are spread over a 5-year period, unless changes are made. Clearly, funding levels of 75% or even 50% are far superior to the Social Security program, which has zero percent funding. But no one at the state level cares because it is considered a federal problem.

So far, 24 public pensions have cut benefits this year. Most of these reductions only affect “new hires,” which obviously does nothing to solve current budget problems. But they do make great headlines for politicians wanting

to convince the public “they have done something to fix the pension problem.”

Three states, Colorado, Minnesota, and South Dakota, have cut benefits to current retirees! All three are currently in court. The country will have to wait for the outcome over the months and probably years to come. Mississippi just last month raised current member contributions from 7.5% to 9% of pay, while Texas ended its DROP program.

Improved investment returns will greatly help over time, but remember that gains and losses are spread over a 5-year period.

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BP Flap

Recently, a reporter for two Alabama newspapers took it upon himself to calculate RSA's loss on holdings of BP stock in an effort to bring local color to the oil spill hitting the Alabama Gulf Coast.

The erroneous information was picked up by the *New York Times* stating that the RSA “lost nearly \$100 million.”

This is rather difficult when your total cost was only \$46.9 million. Additionally, Dr. Bronner was quoted as saying “it was not a big deal.” Obviously, anytime someone loses \$100 million it is a big deal!

From bold, local screaming headlines to a mere one inch correction the following day, the **true facts** are: The

RSA started the purchase of BP in 1995 and accumulated 6.2 million shares. The RSA sold the entire position by June 22, 2010, at a loss of \$4.04 million. However, the RSA received \$25.9 million in dividends during the holding period. The RSA came out ahead \$21 million, hence the statement “it was not a big deal.” ■

Alabama

Source: *Golf the World*
www.golftheworld.ca

It was Albert Einstein who said, "If at first an idea does not seem absurd, then there is no hope for it." That's what people said when it was first proposed that Alabama enter the golf business using funds from the state's employee pension fund. It was Dr. David G. Bronner, the CEO of the Retirement Systems of Alabama, who saw something that no one else did. The plan called for a \$100 million investment to create the Robert Trent Jones Golf Trail, a network of championship golf courses along the state's main highways. Despite harsh criticism, work began in the late 1980s and the largest golf course construction project in U.S. history was underway. Seven sites were originally selected and the Robert Trent Jones Golf Trail was born.

Unbeknownst to his detractors, Bronner had a much grander plan than to simply build a bunch of golf courses to give retired Alabamians something to do. His vision was much grander than that. Bronner's mission was to grow the state's struggling tourism industry, recruit business and industry and attract retirees to the area. What was once a widely criticized idea has transpired into a business model revered by every state, province and country interested in becoming a world-class golf destination.

Today, the Robert Trent Jones Golf Trail is now a carefully designed consortium of 468 holes of championship golf (26 golf courses in all) at 11 locations throughout Alabama. But Bronner's vision included more than just golf. His strategy was to create stay and play destinations in every major urban area throughout Alabama by bundling golf and accommodation together. You know, roll out of bed, have breakfast then head over to the first tee for your 9:15 a.m. tee time. To complete each Trail experience, a partnership with Marriott and Renaissance Hotels was established to provide legitimacy to the stay and play concept.

Bronner's mission was simple. Provide a five-star golf experience at an affordable price for all. Fast forward twenty years and mission accomplished. Over the past decade, Alabama's tourism industry has increased from \$1.8 billion to \$9.6 billion. Pretty good return on investment. No one is questioning Bronner's decision anymore. In fact, they now refer to him as Saint David throughout the state (just kidding).

Green fees average \$50, peaking at \$64 during the high season – cart included. To play comparable courses in Arizona or Florida in the winter would cost you 3 to 4 times as much. Recently, *Frequent Flyer* magazine named the Trail "One of the Top Ten Trips in the World", and in a *Golf Digest* survey, the Trail was ranked #1 in the world for value and #8 for quality.

So where should you start your Robert Trent Jones Golf Trail experience? One of the most appealing attributes of the Trail is that you can start from anywhere in the state. From Mobile in the south to Huntsville in the north, it really doesn't matter, although there are more Trail courses around the Birmingham area than anywhere else. Each of the 11 stops is within a two-hour drive of the next closest Trail course and within 15 minutes of a major interstate. If you're directionally challenged, don't despair as there are plenty of road signs to help you get from one location to another. . . . (Editor's Note – Article has five pictures and three pages of descriptions of various courses.)

Perhaps the Trail's most redeeming quality is that there isn't a weak link in its golf chain. After playing several courses, I'm sure one will emerge as your favorite. If you were to ask 10 different people what their favorite course on the Trail is, you would undoubtedly get 10 different answers. No one destination stands apart from the others. They're all great. I particularly liked knowing I could play a links course one day and a parkland course the next without having to drive 100 miles to get there. Here lies what makes Alabama's Robert Trent Jones Golf Trail special.

Native Alabama resident and golf writer, Hershell Caldwell probably described the Trail best. "It is the Robert Trent Jones Golf Trail that provides an opportunity for the rest of the country to see and experience the 'old' South with 'new' eyes." A fitting description given this state, more than any other, has endured many social and economic hardships over the years. With the recent crowning of the Alabama Crimson Tide as national college football champions and running back Mark Ingram being the first Tide player to win the Heisman Trophy, not many things rival 'bama football in this state of 4.5 million people. But thanks to Dr. David G. Bronner and the Robert Trent Jones Golf Trail golf in Alabama may rank a close second and deservedly so. ■

Pension Plans

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Immediate solutions to reduce taxpayer costs of pension funds consist only of reducing benefits and/or raising member contributions.

As I stated last month, **if you are going to vote for those promising "No New Taxes," be prepared to pay more for less benefits.** There is no other option unless you are willing to support someone proposing new revenue for the state. ■



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

The State of the American States

Source: *ISD Research*

Across the U.S., state governments are on the edge of fiscal calamity as the day of reckoning . . . a report from the U.S. Center on Budget and Policy Priorities issued estimates that in fiscal 2010 the U.S. states collectively posted a near \$200 billion budget shortfall, equivalent to 30% of all state budgets. As *Time's* David von Drehle recently observed: "Such persistent budget woes are unparalleled in the era of modern American government. You'd have to go back to the 1950s to find a parallel." After plunging in 2009, tax revenues are starting to stabilize in some places, but revenues are still far off pre-recession levels. Collection of sales, personal-income and corporate taxes—which constitute 80% of state revenue—slumped 12% over the past two years. Meanwhile, fixed costs continue to keep states deep in the red. . . . But, the states, it must be remembered, have a large number of fixed costs, which continue to expand. In addition to soaring pension obligations, the federal government has pushed a lot of its burdens onto the states, beginning with the sprawling mess that is Medicaid. Created by Congress, administered by the states, and funded by a mishmash of state, local and federal funds, the healthcare system for America's poor is a train wreck waiting to happen.

Medicaid spending, which accounted for 21% of state general fund expenditures in 2009, rose 6.6% that year and is expected to rise 10.5% in fiscal 2010, according to Linda Bilmes, a professor at the Harvard Kennedy School. . . . Last year, the state's fiscal woes were partly assuaged by the federal stimulus package. But nearly 70% of the \$787 billion of stimulus funds approved early last year will have been spent by September, according to the CBO. . . . This year, however, the federal stimulus money is going to be thinned dramatically.

The Obama administration has asked for about \$50 billion for 2011, but experts believe it would require another \$160 billion in cash just to meet demands for the next two years. And this assumes there is no increase in unemployment or decrease in tax revenues. Even though there is scant appetite among election-susceptible Democrats in Washington to add more zeroes to the end of the federal deficit, there may be no alternative. If the federal government does not intervene, the entire U.S. economy could be put at risk. After all, aren't California and Illinois, like the country's banks, "too big to fail"? As the Center on Budget and Policy Priorities summarizes: Of course, a faster-than-expected recovery could reduce the size of future shortfalls. But several factors could make it particularly difficult for states to recover from the current fiscal situation. Housing markets might be slow to fully recover; their decline already has depressed consumption and sales tax revenue as people refrain from buying furniture, appliances, construction materials, and the like. This also would depress property tax revenues, increasing the likelihood that local governments will look to states to help address the squeeze on local and education budgets. . . . If revenue declines persist as expected in many states, additional spending and service cuts are likely.

Expenditure cuts are problematic policies during an economic downturn because they reduce overall demand and can make the downturn deeper. . . . Tax increases also remove demand from the economy by reducing the amount of money people have spent. . . . Like immigration and entitlements, state rescues will become yet another fissure dividing the American public and hampering progress in Washington. . . . ■

FATTEST OF THE FAT

Ranking of the fattest states in the country, with percent of adult obesity, based on 2007-2009 combined data

1. Mississippi	33.8%
2. (tie) Alabama	31.6%
2. (tie) Tennessee	31.6%
4. West Virginia	31.3%
5. Louisiana	31.2%

Health Concerns in Alabama

HEALTH-RISK RANKINGS

How we rank on other obesity-related measures:

Highest Rates of Adult Diabetes	Highest Rates of Adult Hypertension	Highest Rates of Adult Physical Inactivity	Lowest Fruit and Vegetable Consumption Among Adults	Lowest Rate of Exclusively Breast-Feeding at 6 months
1. West Virginia	1. Mississippi	1. Mississippi	51. Mississippi	51. Mississippi
2. Mississippi	2. W. Virginia	2. (tie) Oklahoma	49. (tie) Oklahoma	50. Louisiana
3. Alabama	3. Alabama	2. (tie) W. Virginia	49. (tie) S. Carolina	48. (tie) Alabama
4. Tennessee	4. Louisiana	4. Tennessee	48. Alabama	48. (tie) Arkansas
5. Louisiana	5. Tennessee	5. (tie) Alabama	47. S. Dakota	47. Delaware
		5. (tie) Kentucky		

Source: America's Trust for Health, Robert Wood Johnson Foundation

BIRMINGHAM NEWS STAFF

ENJOY YOUR SUMMER/FALL
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$99**

- August 1–4, 8–11, 18–27
- September 5–9, 15–18, 24–29 • October 6–13, 20–21

**The Renaissance Riverview Plaza –
Mobile – \$89**

- August 1–4, 8–11, 18–27
- September 5–9, 15–18, 24–29 • October 6–13, 20–21

Marriott Grand – \$99 plus a 15% resort fee

- August 4–5, 15–31 • September 1–2, 5–14, 19–29
- October 10–11, 15, 20–31

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
- August 4–5, 15–31 • September 1–2, 5–14, 19–29
 - October 10–11, 15, 20–31

Marriott Shoals – Florence – \$89

- August 1–3, 8–11, 15–17, 29
- September 7–8, 12–14, 19–21 • October 8–9, 24–27

Renaissance Ross Bridge – Hoover – \$99

- August 1–5, 8–12, 15–17, 20–26, 30–31
- September 1–2, 6–8, 12, 19, 24–28 • October 3–6, 24

Opelika Marriott – \$89

- August 1–5, 8–9, 11–12, 15–19, 23–26, 29–30
- September 2, 5–12, 19, 23, 26–30
- October 8–11, 14, 21, 24, 31

Prattville Marriott – \$89

- August 1–3, 6–9, 12–16, 26
- September 1–6, 9–10, 25–27 • October 11, 14, 31

Renaissance Montgomery – \$99

- August 1–2, 12–13, 19, 22–23
- September 2–6, 10–13, 16, 26, 30
- October 1–2, 17, 19–31

RSA Spa Package – \$159

- Ask for code – LOCD Includes Deluxe Room
- August 12, 19 • September 2–4, 10–11, 16, 30
 - October 1–2, 29–30

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

Code: RABM, 800-228-9290

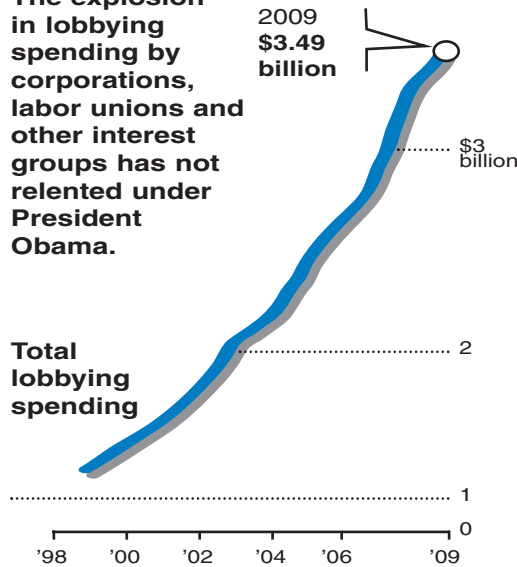
Internet promo code: R2A on marriott.com

Book Online and Save RSA \$4.

Pay to Play

The explosion in lobbying spending by corporations, labor unions and other interest groups has not relented under President Obama.

Total lobbying spending




Source: Center for Responsive Politics

State Wins Silver Shovel

Alabama has been awarded **Area Development** magazine's 2010 Silver Shovel Award, a recognition of economic development projects undertaken in 2009 creating new jobs and investment.

Alabama and Texas are the only two states that have won shovel awards for a record five years since the magazine started them in 2006. Alabama won the Gold Shovel Award in 2006, when the magazine ranked Alabama No. 1 in the nation based on the 10 biggest projects.

New York won this year's Gold Shovel Award. Along with Alabama and Texas, Silver Shovel awards went to Michigan, Florida, Georgia, Tennessee, Indiana, Louisiana, South Carolina and Kansas. ■



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