



# The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



## Alabama's Finances Bleak

We're No. 49!

**H**ow did Alabama compare to its neighbors in state and local taxes collected per person in fiscal year 2008? This table shows surrounding states, taxes collected per person, national ranking, and the additional money these states had available to spend on services over Alabama's state and local governments.

Alabama	\$3,002	49 <sup>th</sup>	
Florida	\$4,009	26 <sup>th</sup>	\$5.17 billion
Georgia	\$3,481	34 <sup>th</sup>	\$2.69 billion
Mississippi	\$3,133	46 <sup>th</sup>	\$376 million
Tennessee	\$3,045	48 <sup>th</sup>	\$451 million
South Carolina	\$2,923	50 <sup>th</sup>	-

Source: *The Birmingham News*, Census Bureau

### STATE REVENUE

October through July  
(Dollars in millions)

Education Trust Fund			General Fund		
	Amount	% change from same period a year ago		Amount	% change from same period a year ago
Income tax	\$2,232.6	▼ 9.0%	Property Tax	\$133.1	▲ 3.1%
Sales tax	\$1,306.3	▲ 4.1%	Insurance		
Utility tax	\$346.8	▲ 3.2%	company taxes	\$124.3	▼ 7.1%
Use tax	\$195.8	▼ 3.2%	Cigarette tax	\$94.0	▼ 2.5%
Other revenue	\$79.7	▼ 2.8%	Interest/capital gains	\$56.4	▼ 44.9%
<b>Total</b>	<b>\$4,161.3</b>	<b>▼ 3.9%</b>	Oil & gas production tax	\$55.3	▼ 34.8%
			Sales Tax	\$49.2	▲ 12.7%
			Other revenue	\$450.7	▼ 27.2%
			<b>Total</b>	<b>\$963.0</b>	<b>▼ 20.3%</b>

Source: Alabama Finance Department

## Alabama's Cost of Providing Pensions

By David White, *The Birmingham News*

**T**he state's cost of providing pension coverage for its active and retired teachers and other employees could jump \$745 million, or 77 percent, by decade's end, Retirement Systems of Alabama Deputy Director Marc Reynolds said August 9. Reynolds briefed board members who oversee the RSA's two biggest pension plans, the Teachers' Retirement System and Employees' Retirement System, at a workshop held at the Renaissance Ross Bridge Golf Resort & Spa.

Several board members noted that spending from the state's Education Trust Fund and General Fund has shrunk since 2008 because state tax collections have fallen in the recession-weakened economy. Board members said they hoped to review in coming months options for reducing estimated pension costs. "The

problem is that the cost of the retirement system is exceeding the amount of money the Legislature has to appropriate for it," TRS board Chairman Paul Hubbert said. "So we've got to start looking at how we bring the cost down somewhat short-term, in order to be able to balance the budget," said Hubbert, who is executive secretary of the Alabama Education Association teachers' lobby.

Hubbert and acting state Finance Director Bill Newton noted that rising pension costs would reduce amounts of money available for hiring employees, granting pay raises and buying supplies for schools and non-education agencies alike. "If you're putting in more for your benefit cost, retirement or health insurance, there's less money for services or other functions of government. It's simple arithmetic," said Newton, who

serves on both the TRS and ERS boards.

Board members discussed in general terms options for reducing the state's costs, such as: Making active teachers and other employees pay more for pension coverage. Most now contribute 5 percent of their paychecks. Board members discussed an increase to 6 percent. Making employees work longer before being able to start collecting a full pension. Now, they can retire and start drawing a pension after working 25 years, no matter how old they are.

Hubbert said he was more interested in short-term cost savings designed to help the pension funds weather the next few budget years, which Hubbert said could be "wretched." Hubbert said TRS board members likely would discuss cost-saving options further at the board's next

*continued on page 3*

# Project Ahead of Schedule

By Tom Smith, *Times Daily*

Sheffield Mayor Ian Sanford remembers the negative remarks he and other leaders heard in 2003 when the decision was made to add a 2-cent-per-gallon gasoline tax to finance a tourism project in the Shoals. “It was going to ruin the Shoals, and it was going to be the final nail in the coffin in the area,” said Sanford, recalling a small portion of the pessimistic remarks he heard.

Sanford is a member of the Shoals Public Park Authority, which was formed to oversee the tourism partnership with the Retirement Systems of Alabama. The authority also is charged with making sure the gas sales tax is used to pay off a \$16 million bond that local governments obtained to pay for their portion of the nearly \$100 million project. “(This project) has done nothing but the opposite of what people were saying then, and I never hear a negative word now,” Sanford said.

The gasoline tax was added in June 2003 for all gas sold in Colbert and Lauderdale counties. Proceeds go toward retiring the \$16 million bond debt. The total payoff of the 30-year bond, including interest, is \$17.9 million. At the present rate, the bond will be retired in 2021, about 12 years ahead of schedule.

By most everyone’s account, the tourism project, which includes two 18-hole courses in Colbert County that are now part of the famed Robert Trent Jones Golf Trail as well as a luxury hotel in Florence, has been a huge success. “This has helped people look at tourism as something to boost the economy,” said Susann Hamlin, director of the Colbert County Tourism Bureau. “It put a new light on tourism and how important it is to our area.” Rex Burleson, president of the Shoals Public Park Authority, said the project has exceeded expectations. “It has created jobs and brought money to this area that otherwise would not have been coming in,” Burleson said. “We took a lot of heat (for the decision), but I have people come to me now and say they understand what we were doing. They understand now that it wasn’t just building a golf course; it was about economic development. . . .”

“This has been a wonderful project for this area,” said Florence Councilman Dick Jordan, vice president of the park authority. “This is something the entire area can be proud of. It amazes me every time I’m at the Marriott (Shoals Hotel and Spa) and looking over that complex and seeing what has been done there. Then you look at the number of people using the conference center and the golf course. It’s really unbelievable what (the project) has done....”

Burleson said he constantly meets people from other states who come to play golf at the Trent Jones complex. “People from every state and even six or seven foreign countries have been here,” Burleson said. One of the golf courses opened in August 2004, with the other following in July 2005. The number of rounds played at the complex has remained steady despite tough



economic times, officials said. “We’re averaging about 43,000 rounds of golf each year,” said Libby Watts, sales and marketing director for the local Robert Trent Jones operation. “I still drive by the parking lot and look at the license plates and it’s really amazing at the number of people from out of the state.”

Watts said the national advertising the area has received from the RSA project has lured companies in for retreats, conferences and seminars — “things that the area was never looked at before. People who didn’t know a lot about us before thought we were just a sleepy little area,” Hamlin added. “Now, they know who we are and where we are, and that’s because of the project.” Burleson said the project attracts travelers who previously passed through northwest Alabama on the way to somewhere else. “Now, they come here for a reason and they spend their money here before going home or heading somewhere else.”

Kerry Gatlin, dean of the College of Business at the University of North Alabama, said the project has had a positive impact on the local economy. “While I don’t have specific data, I regularly observe a substantial number of guests with out-of-region license plates at the Marriott and conference center,” Gatlin said. “In my travel, I find very few communities of our size with a conference center that equals that of the Shoals. The same can be said for the RTJ golf courses. “The economic impact of the two facilities goes beyond current spending, however. The executive business traveler who spends a few days in the Shoals is invariably impressed with our community. This places our community on their radar screen when expansion opportunities arise. Being on the radar screen won’t close the deal—but it is a first and necessary step—and the conference center and RTJ courses clearly play an important role in putting us up for consideration.”

Jordan said the project also launched a productive relationship between the Shoals and RSA Executive Director David Bronner, who also has invested in other areas of the Shoals economy, including Wise Alloys and National Railcar. His total investment in the Shoals is nearing \$1 billion. “There were some bumps in the road along the way, but it was fun and it’s great to sit back now and look at the fruits of the labor and the success of the RSA project for this area,” Jordan said. “The best part of the whole thing was it never became ‘I’ or ‘me,’ it was ‘we’ and what’s best for the Shoals. It has been a true partnership, and we’re reaping the benefits. It was, still is and will always be a win-win situation for northwest Alabama.” ■

## GOOD NEWS IN JULY

The Renaissance Ross Bridge Golf Resort & Spa had the best July in its five-year history, while The Grand Hotel Marriott Resort, Golf Club & Spa operated at full capacity.

Even more encouraging was that the Robert Trent Jones Golf Trail had its largest July bookings for travelers this coming fall in Trail history with over \$700,000 in bookings. Hopefully, this is a positive sign for our state and national economies.

# States of Crisis

By Peter Coy, *Bloomberg Businessweek*

As the weak economy punishes state budgets, it is driving some politicians to take refuge in almost hallucinatory forms of accounting. Unable to pay vendors, Illinois piled up a \$5 billion mountain of IOUs. California Republican Governor Arnold Schwarzenegger warned 200,000 state employees he might temporarily have to cut their pay to minimum wage. And New York, whose fiscal year began on Apr. 1, is limping along without a budget because warring parties are using the negotiating tactic called “delay until you get your way.” New York Democratic Governor David Paterson says he almost feels like moving to Vermont. “I think I might just walk over there and see if they’d like me to stay,” Paterson joked to a Bloomberg News reporter on July 10 during a break at the National Governors Assn. meeting in Boston.

Crisis needn’t breed cravenness. Some state lawmakers are using the mess as an opportunity, a chance to ram through reforms to help fix the structural budget imbalances that, if left unaddressed, will plague them for decades to come. New Jersey Republican Governor Chris Christie has forced the state’s unionized teachers, for the first time, to pay for part of their health-care coverage. Indiana cut the cost of a prison meal from \$1.43 to 99 cents by contracting out the job. Last year Massachusetts Democratic Governor Deval Patrick signed a cost-saving law permitting the use of civilian flaggers for road work, ending the state’s status as the only one requiring uniformed police officers at all road construction sites.

As Supreme Court Justice Louis Brandeis wrote in a 1932 opinion, states can “try novel social and economic experiments without risk to the rest of the country.” Economists predict several more years of stress, even though states’ tax revenue ticked up in the first quarter of 2010 from a year earlier, according to the Nelson A. Rockefeller Institute of Government. So there’s plenty of time for wayward pols to adopt the wisdom of responsible ones. “We’ve got to fundamentally rethink how we do things and not just go through traditional budget-cutting,” says Vermont Republican Governor Jim Douglas, former chairman of the National Governors Assn.

Of course, the fiscal crisis is not a political-science experiment. Deficit-closing measures are cutting into the meat and bone of social programs, pushing up taxes on people already whacked by the weak economy, or both. Hard as it is, though, states have no choice but to bring their budgets into balance—and not just through fiscal legerdemain. Governors have long been adept at one-shot tricks to balance operating budgets, as all states but Vermont require. That goes even for states that are doing some things right: This past fiscal year, Arizona sold off about \$1 billion worth of real estate, including the state Capitol and the state Supreme Court. New Jersey is skipping a \$3 billion pension contribution even though state plans were underfunded by \$46 billion as of a year ago... ■

## You Can’t Even Trust Older People

By Alexis Leondis, *Bloomberg Businessweek*

Annuities. Reverse mortgages. Life insurance pools. Principal-protected notes. The options being offered to senior citizens hoping to ensure a comfortable retirement are dizzying. And in a growing number of cases, that may be the intention as more scammers—often elderly themselves—try to con retirees. Though hard numbers are difficult to come by, many lawyers and advocates for the elderly say more seniors than ever are being lured into investment schemes that are unsuitable for people of their age or are outright swindles. “Seniors who suffer from isolation and diminished capacity make ideal targets,” says Steve Riess, a San Francisco attorney who represents elderly victims of con artists peddling bogus investments.

**One out of five Americans over the age of 65 has been the victim of a financial scam**, according to the Washington-based Investor Protection Trust, a nonprofit that promotes shareholder education. That means more than 7.3 million seniors have been taken advantage of financially through inappropriate investments, high fees, or fraud....

Many of today’s scammers have a particularly good understanding of their victims—because the fraudsters themselves are of retirement age, if not exactly retired. More elderly con artists than ever seem to be preying on retirees, perhaps because senior citizens put more confidence in someone their age, says Denise Voigt Crawford, president of the North American Securities Administrators Assn. “It’s

*continued on page 4*

## Alabama’s Cost *continued from page one*

regular meeting, which likely will be held in late November or December.

The state in this fiscal year, which ends Sept. 30, expects to pay \$971 million to support the TRS and ERS, compared to \$410.1 million paid in the 2005 fiscal year. That’s an increase of 137 percent over five years. The TRS on Sept. 30 covered 229,821 employees, former employees and retirees. The ERS covered 58,268. The state’s pension costs are expected to grow little in the next two fiscal years because legislators changed state law this spring to let the RSA pay its unfunded liabilities, or estimated pension costs that exceed estimated assets, over periods as long as 30 years, up from a maximum of 20 years.

But, the Retirement Systems’ actuary firm, Cavanaugh Macdonald Consulting, estimated pension costs could skyrocket after the 2012 fiscal year if the oversight boards and the Legislature do nothing to cut them. The firm assumed lawmakers would pay the annual amounts needed to keep the pension plans financially healthy. Lawmakers since at least 1969 have

always paid the requested state contribution, Hubbert said.

Cavanaugh Macdonald’s estimates show state payments to keep the TRS and ERS financially healthy would jump by \$745 million from the 2011 fiscal year to the 2019 fiscal year if investments held by the TRS and ERS grew 8 percent per year, the growth rate assumed by the pension boards. If those invested assets instead grew by 12 percent, the state would have to spend an estimated \$418 million more. But if the invested assets grew by just 4 percent per year in that time, the state would have to pay an additional \$1.02 billion to keep the pension plans healthy, based on the firm’s estimates.

The firm assumed active employees of public schools and state agencies would get pay raises averaging 4 percent per year (**Editor’s Note:** includes pay raises **and** new employees) and that retirees would get no cost-of-living adjustments for their pensions through 2019. The firm also assumed the pension plans would remain unchanged. ■

ENJOY YOUR FALL  
A Special Deal  
FOR RSA MEMBERS

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

- September 5–9, 15–18, 24–29 • October 6–13, 20–21
- November 5–8, 14, 19–30

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

- September 5–9, 15–18, 24–29 • October 6–13, 20–21
- November 5–8, 14, 19–30

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

- September 1–2, 5–14, 19–21, 23–29
- October 10–11, 15, 20–21, 24–31
- November 5–10, 14–15, 26–29

**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

- September 1–2, 5–14, 19–21, 23–29
- October 10–11, 15, 20–21, 24–31
- November 5–10, 14–15, 26–29

**Marriott Shoals – Florence – \$89**

- September 7–8, 12–14, 19–21, 26–27
- October 3–4, 24–28 • November 3–4, 14–17, 21–27

**Renaissance Ross Bridge – Hoover – \$99**

- September 2, 6–8, 12–23, 26–28
- October 3–5, 22–24, 31 • November 7, 14–24, 28–29

**Opelika Marriott – \$89**

- September 2, 5–12, 19, 23, 26–30
- October 8–11, 14, 21, 24, 31
- November 1–2, 4, 7–11, 14–16, 18, 20–30

**Prattville Marriott – \$89**

- September 1–2, 4–6, 9–10, 25–27
- October 2, 11, 14, 21, 24–26, 29–31
- November 1–3, 5–6, 8–11, 13–16, 21–23, 25, 27–29

**Renaissance Montgomery – \$99**

- September 2–6, 12, 26 • October 17, 29–31
- November 7–8, 11, 20, 23, 25–30

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room

- September 2 • October—None available
- November 11, 23

*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.**

**YOU CAN'T EVEN TRUST OLDER PEOPLE**

*continued from page 5*

astounding that you can't even trust older people anymore," Crawford says.

In November, William Kirshner, 84, a financial adviser in Corpus Christi, Tex., was sentenced to five years in prison for stealing more than \$100,000 from senior citizens and other clients who invested in promissory notes issued by his company. Ronald Keith Owens, 74, was sentenced to 60 years in prison in January 2009 for persuading investors, including retirees, to put more than \$2.6 million into nonexistent bank-related investments. And William Walter Spencer, 68, a Franklin (Tenn.) financial adviser, sold elderly members of his church promissory notes that turned out to be bogus. . . .

Veterans are a big target. Several groups offer to help former soldiers sign up for a \$2,000-a-month benefit from the Veterans Affairs Dept. in Washington. While the program is real, some groups are telling seniors they can only qualify if they liquidate their assets and purchase an annuity, which usually comes with a hefty sales commission.

Reverse mortgages, which let people aged 62 and older get cash out of their homes and are repaid when the borrower dies or moves, are a big part of many scams. One popular ruse is urging the elderly to finance annuity purchases with a reverse mortgage, despite a ban on cross-selling them with other financial products. . . .

The new financial regulatory reform bill would crack down on advisers who market themselves as specialists in investments for seniors, and another measure would include harsher penalties for anyone committing securities fraud against the elderly. "We need better regulation of this industry," says 75-year-old Senator Herb Kohl (D-Wis.), who heads the Senate's Special Committee on Aging, "so seniors can tell the difference between professionals who offer clear and unbiased financial advice and bad actors... who steer them toward inappropriate financial products." ■



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**Member Services**

Penny K. Wilson

**PEEHIP**

Lee M. Hayes

**Teachers' Retirement**

Donald L. Yancey

The Retirement Systems of Alabama

201 South Union Street

P.O. Box 302150

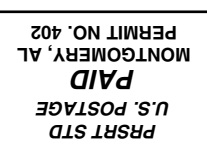
Montgomery, Alabama 36130-2150

Phone: 334.517.7000

877.517.0020

RSA Web site

[www.rsa-al.gov](http://www.rsa-al.gov)



RETIREMENT SYSTEMS OF ALABAMA  
201 SOUTH UNION STREET  
P.O. BOX 302150  
MONTGOMERY, ALABAMA 36130-2150

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Go Enjoy Your RSA Hotels, Spas and Golf.**