

## PACT unlikely to survive without 'a ton of money'

Posted by [nndoyle](#) June 25, 2009 07:48AM



File Kay Ivey, chair of the PACT Board, said the key to repairing the program is the stabilization of the stock market.

MONTGOMERY, AL -- The deputy director of the Retirement Systems of Alabama said Wednesday there's little chance of saving the state [Prepaid Tuition Program](#) without a massive infusion of state money.

"It's going to take a ton of money to fill a very big hole," said Marc Reynolds.

State Treasurer [Kay Ivey](#), chair of the PACT Board, agreed Wednesday that the program needs more money but is awaiting a final report from the RSA.

During a stop in Huntsville to announce her Republican gubernatorial candidacy, Ivey said the answer to repairing the PACT program is the stabilization of the stock market.

"That's the way the PACT trust fund operates," she added.

But Reynolds said it's not likely the program can be saved by growth in the markets. For the program to gain back the 50 percent it lost in the market, he said the markets would have to grow by 100 percent.

"For that to happen, the stock market would have to hit 20,000," he said. "Is that a realistic assumption? I don't think so."

Although the stock market has recovered somewhat, Reynolds said it's nowhere near enough to help the PACT program get back on track.

An examination of the program by [RSA](#) has shown that the PACT deficit is actually larger than the \$306 million actuarial deficit reported at the end of fiscal 2008, although Reynolds did not say how much.

With more than two-thirds of the PACT Trust Fund invested in stocks, it lost about half its value from December 2007 to the end of January 2009, a decline from \$793 million to \$463 million.

RSA was commissioned by the PACT Board on May 20 to conduct an independent actuarial study of the fund. An official report is expected to be delivered to Gov. Bob Riley and the Legislature in July or August.

Reynolds said the PACT Board could save up to \$3 million a year by using RSA to manage the fund, but he added that wouldn't make a substantial difference.

PACT also has to deal with rising tuition rates.

The only way to keep the program afloat, he said, would be to substantially increase revenue for it, possibly through a tax increase, and to persuade colleges and universities to hold the line on tuition increases, at least temporarily.

"But you can look at what's happened so far this summer with (the) double-digit increase" in tuition, he said. "We can't get expenses down. There's no flexibility in changing or managing tuition."

Earlier, Alabama State University, Troy University and the two-year community college system froze tuition. But most PACT students are enrolled at Auburn University and the University of Alabama, and both have just increased tuition. Last week, Alabama approved a 9.4 percent increase and Auburn a 5.7 percent increase.

Reynolds said he doesn't know whether the state, in these harsh economic times, can afford to bail out the PACT program.

In its report to Riley and the Legislature, RSA will not recommend any source of money for the program.

"I guess you could have a beer tax, a cigarette tax, a bingo tax, but anything is just going to suck it off the top of the General Fund," Reynolds said.

Patti Lambert, a Huntsville Realtor who heads the Save Alabama PACT group, said Wednesday she was "sick to my stomach" over Reynolds' comments.

State leaders "always seem to find money for what they want," she said. "I hope there are going to be people running for office that will take up our cause."

Lambert runs the Web site Save Alabama PACT and has 1,477 members on her Facebook page devoted to the PACT. She owns six PACT plans and had hoped to buy two more because she has eight grandchildren.

"I'm disappointed," Lambert said. "I still feel very strongly that it's the responsibility of the state of Alabama and whoever it touches, and it's touched too many people."

There are roughly 48,000 contract holders in the program.

The board's actuary, Robert Crompton of Atlanta, said at a May meeting that the PACT fund has enough money to fully pay tuition this fall and next spring.

He said the fund would not run out of money until March 2014.

"My biggest fear is the Legislature will say 'Oh my God, there's nothing we can do,' " Lambert said. "We just need a stop-gap until we find a way to fund it."

During the regular legislative session this spring, lawmakers considered but did not pass a proposed constitutional amendment that would have taken \$150 million from the state's oil and gas fund to help pay tuition. But the bill would have guaranteed tuition payments only for those who entered the program before 1995 -- when it was guaranteed by the state.

Neither Ricky Jones, an Andalusia businessman who is vice-chairman of the PACT Board, nor Lt. Gov. Jim Folsom, a board member, returned a call from The Times.

Categories: [Education](#)

## Comments

### MMLJ says...

PACT is not a savings account as is the other option, The Alabama Higher Education 529 Fund. PACT is a written legal contract where the consumers have PAID IN FULL for the service of a college education that will be utilized in the future. The State Legislature should now fulfill its part of the State contract by guaranteeing that the necessary funds will be available to fulfill their promise.

Posted on 06/25/09 at 8:11AM

Footer