



It is Time to Realize that RSA is Important to Our Future

EDITORIAL

Recently, the University of Alabama was able to recruit an outstanding educator back to Alabama to take over the president's office in Tuscaloosa. One of his personal objectives was to get vested in TRS. Likewise, the outstanding defensive coordinator for Auburn returned to the Plains because it would get him closer to qualifying for his Alabama pension. We are delighted to have these men come back to Alabama.

In 2012, the Alabama Legislature, along with Pennsylvania, passed the most extensive benefit changes in the United States by creating a Tier 2 program for new hires, who will have to work longer and receive a lower retirement benefit than Tier 1 employees. Sometime in the not too distant future, these changes should be evaluated to determine whether the Tier 2 benefits are sufficient to retain teachers and public employees and recruit top talent from around the world to Alabama. ●

Politicians Face Yet Another Tough Year

BY DAVID G. BRONNER

The Alabama Legislature returns in February to face more tough times in meeting the needs of Alabama but without the proper level of funding. Decades ago, Governor Wallace told me that it was fun watching "politicians" and "special interests" fight over how to spend additional revenue. He also quickly pointed out that politics is not fun when you cannot meet the needs of the state, especially when revenue is the same or less than the previous year.

It is probably pointless to again point out that other Southern states bring in a billion to almost two billion dollars a year in more tax revenue compared to Alabama. We are kidding ourselves if we believe Alabama can surpass neighboring states in education and attracting industry without a commitment to funding those aspirations.

Instead of expanding our opportunities, education has been drastically cut; the basis of any bright future. We have cut state services to the extent that the city of Montgomery has more policemen than the Alabama Law Enforcement Agency (state troopers). I have no doubt that what we have done to our mental health system will only revert us to the early 1970s, when it was left to the county jails to provide housing for the mentally disabled.

In the past, Alabama tried to solve problems by forming a firing squad in a circle instead of a line. That has not worked out so well. We are a conservative people, yet funding our basic needs at the lowest level – and still expecting to be average or even great – is non-productive. ●

Constitutional Amendment for Judicial Reform

BY DAVID G. BRONNER

An important constitutional amendment (**Statewide Amendment 1**) will be on the ballot **March 1, 2016**. The Legislature passed Judicial Retirement reform (Act 2015-498) and legislation (Act 2015-342) to phase out the costly supernumerary systems for Circuit Clerks and District Attorneys. **These changes will not take effect unless the voters pass this constitutional amendment.**

These important cost-saving changes will reduce retirement benefits payable

to future judges and will eliminate, over time, two unfunded statewide supernumerary systems. Currently, Circuit Clerks and District Attorneys do not pay any-



thing toward their future supernumerary benefits. After meeting certain service requirements, the taxpayers pay them a

life-time benefit from current revenue. There is no fund for the payment of these benefits.

If this constitutional amendment passes, these elected officials will begin making contributions to a funded retirement plan like other state employees.

The Legislature has done its part in passing these important reforms. It is now up to you, the voters, to implement these positive changes for our state. Vote **YES** for this fiscally prudent amendment. ●



Update on the Joint Committee on Alabama Public Pensions

BY NEAH MITCHELL, LEGISLATIVE COUNSEL

On January 14, 2016, the Joint Committee on Alabama Public Pensions held its fifth meeting. At this meeting, RSA staff presented information related to RSA's assumed rate of return, governance, and issues with cash balance plan designs. Representatives from the Pew Charitable Trusts also presented to the Committee on Pew's Report of Findings and Recommendations (a copy of this report can be found on RSA's website). Below is a summary of these recommendations:

- Adopt a policy to conduct stress test analysis on the plans to determine employer costs under different investment return scenarios;
- Consider shortening the time to pay off the unfunded liability;
- Require full funding of benefit increases, such as retiree COLAs;

- Increase investment transparency reporting above industry standards;
- Make various improvements to RSA-1 and the Alabama Deferred Compensation Plan;
- Consider and evaluate alternative plan designs for new hires;
- Consider measures to control the growth of employer costs for retiree healthcare;
- Consider setting a policy for pre-funding retiree healthcare;
- Impose additional fiduciary requirements for Alabama investments; and
- Study whether investment expertise requirements for the Boards of Control should be imposed.

In addition to these recommendations, Pew presented information on an employer cost-neutral cash balance plan that was modeled in its report.

Under the joint resolution that created the Committee, the Committee is charged with presenting its findings and recommendations to the Legislature by the fifth day of the 2016 legislative session (which begins on February 2, 2016) at which time the Committee will be dissolved.

At this last meeting, the Committee determined that it needed additional time to prepare its findings and recommendations on RSA and retiree healthcare. Therefore, the Committee voted to present a resolution to extend the deadline for its presentation and subsequent dissolution from the fifth legislative day to April 1, 2016.

The RSA staff remains committed to working with the Committee to ensure that any recommendations presented by the Committee to the Legislature are beneficial, and not harmful, for both the plans and its members. ●

Five Ways to Prepare Your Finances for Retirement

BY JEFF ROSE, FOUNDER OF GOODFINANCIALCENTS.COM

The basic foundation of retirement planning is building up a retirement savings portfolio that is large enough to enable you to enjoy a comfortable lifestyle for the rest of your life. Faithfully funding and intelligently investing in a 401(k) plan, individual retirement account or similar type of retirement savings vehicle is an essential component of your retirement plan.

However, as important as it is to save, it's just the start. There are other strategies you should be working on that will help you get ready for retirement and build your retirement portfolio. Consider these changes that will improve your retirement prospects:

Start cutting your living expenses down to size. This strategy is important on two fronts. First, by cutting your living expenses now, you will be able to save more money for retirement. And second, you will be conditioning yourself to live on less money so funding life in retirement will get easier.

Gradually cut back on unnecessary expenses and eliminate services that you hardly use. For example, you could find less expensive ways to buy groceries, review your insurance policies to see

where you can cut your premiums and improve the energy efficiency of your home to lower your utility costs.

Perhaps most importantly, find less expensive ways to entertain yourself. Entertainment is an easily changeable expense. Since you're having fun while you're doing it, money can disappear quickly and easily. Reducing entertainment costs will continue to pay off in retirement. Since you'll have more leisure time, you'll need to find more ways to entertain yourself on the cheap.

Get off the debt merry-go-round for good. This may be the single most effective way to cut your living expenses. If you're currently making monthly payments on credit cards, student loans or car loans, you can reduce your living expenses by hundreds of dollars per month just by paying off debts. The more that you can pay off, the less income you will need in retirement.

Living a debt-free life continues to be a good strategy when you reach retirement. One of the critical disciplines necessary in retirement is staying out of debt. If you can adopt that habit now, there will be less of an adjustment when you retire.

Cut your house payment in half or

less. Your monthly house payment is likely to be your single biggest expense. As you are looking to reduce your cost of living in preparation for retirement, there is no way you will be able to do that effectively without substantially reducing your largest expense.

If you plan to stay in your current home, make certain that your mortgage is paid off by the time you retire. Alternately, consider relocating to an area that has lower priced housing. If you have 50 percent equity in your current home by the time you retire and you can move to an area where houses cost half as much, you should be able to purchase one without borrowing for a mortgage.

Be ready for healthcare sticker shock. Don't assume that your healthcare costs will be roughly the same in retirement as they are during your working years. There's a very good chance that they'll be higher, and maybe much higher. There are several considerations regarding healthcare in retirement:

If you currently have health insurance through your employer, you're probably paying only a fraction of the monthly premium. Once you retire, the employer subsidy will be gone.)))

Five Ways to Prepare Your Finances for Retirement

CONTINUED FROM PAGE 2

If you retire before you turn 65, when you will be eligible for Medicare, you will have to obtain coverage through your state's health insurance exchange. That coverage could be expensive when you're in your late 50s or early 60s. [Does not apply to PEEHIP.]

When you do finally qualify for Medicare, you'll have to pay a premium to participate. The Medicare monthly premium will be \$121.80 for new beneficiaries in 2016, and those who earn more than \$85,000 per year pay even higher premiums.

If you are on Medicare, you will almost certainly need to obtain a Medicare supplemental policy, which is often referred to as Medigap coverage. The premium for that coverage can add several hundred dollars per month to your Medicare premium.

Do some careful investigating of your health insurance options, and get a reasonable approximation of what your monthly costs will be once you retire. This is not an area where you should allow yourself to be taken by surprise.

Emergencies won't stop when you retire. Be prepared. While you're building your retirement savings plan, you will also need to prepare for emergencies. It's possible that you will need a larger emergency fund in retirement than you do while working. In large part this is because healthcare costs will be a major variable, and you have to be ready for uncovered expenses.

You should also be ready to make major repairs on your home and car. You may need to help your adult children who are going through a difficult time. Make a reasonable estimate of how large your emergency fund should be to cover these essential costs, and factor funding it into your regular retirement budget. For example, you could make monthly payments into a fund to cover the replacement of your car. This will enable you to purchase a car without going into debt when the time comes.

Implementing these strategies will enable you to save more money for retirement. You will also be better prepared for the new life that retirement will bring. ●

Crème de la Crème



Each year, AAA inspectors personally visit more than 58,000 lodgings and restaurants in the U.S., Canada, Mexico, and the Caribbean. Just 0.4 percent of the hotels and 0.2 percent of the restaurants our inspectors visit are awarded the prestigious AAA Five Diamond; awardees are distinguished not only by their luxurious appointments but also by particularly spot-on service. Only 5.4 percent of the hotels and 2.3 percent of the restaurants get a AAA Four Diamond.

Listed below are hotels and restaurants in Alabama that, as of press time, have been awarded the AAA Four Diamond for 2016. Find AAADiamond-rated properties in the area you're visiting at AAA.com/diamondrating or on the AAA App.

HOTELS

- * **Battle House Renaissance Mobile Hotel and Spa, Mobile**
Fort Conde Inn, Mobile
- * **Marriott Shoals Hotel and Spa, Florence**
- * **Renaissance Birmingham Ross Bridge Golf Resort and Spa, Hoover**
- * **Renaissance Mobile Riverview Plaza Hotel, Mobile**
- * **Renaissance Montgomery Hotel & Spa, Montgomery**
The Westin, Birmingham
The Westin, Huntsville
Wind Creek Casino and Hotel, Atmore
Wind Creek Casino and Hotel, Wetumpka

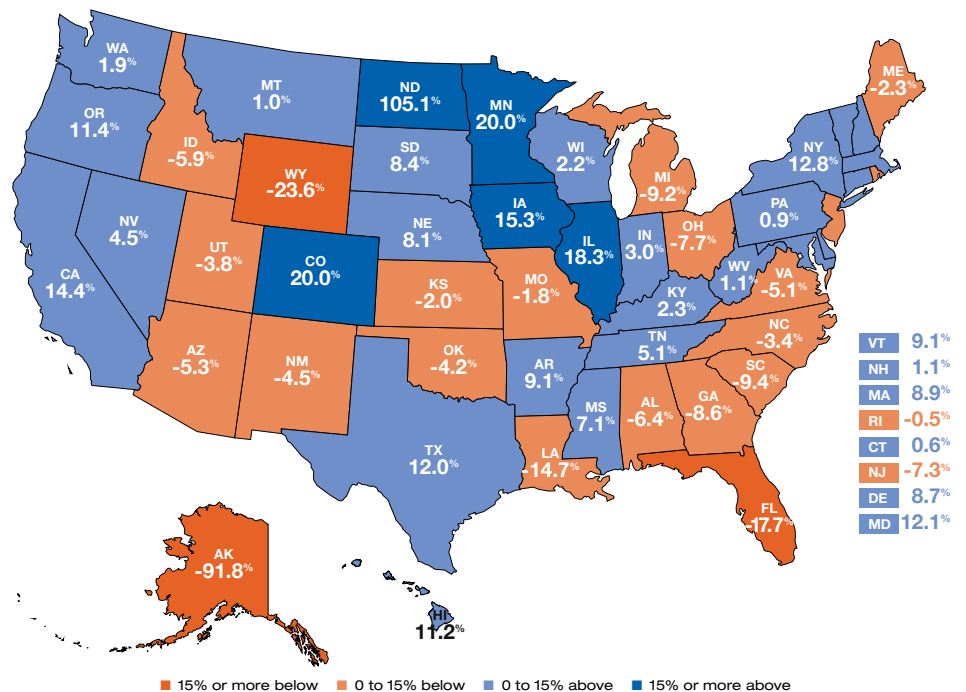
RESTAURANTS

- Bottega Restaurant, Birmingham
- Café Dupont, Birmingham
- Cotton Row Restaurant, Huntsville
- Fire Steakhouse, Atmore
- * **Grand Steakhouse, Point Clear**
Highlands Bar and Grill, Birmingham
Hot and Hot Fish Club, Birmingham
- Ocean, Birmingham
- * **The Trellis Room, Mobile**
- * **360 Grille, Florence**

* **RSA Properties**

Real Tax Revenue in 29 States Has Recovered From Recession

Tax collection in 2Q 2015 compared with each state's peak, adjusted for inflation



Source: Pew analysis is based on the U.S. Census Bureau's quarterly tax revenue data, as adjusted by the Nelson A. Rockefeller Institute of Government
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Start Planning Your Spring Getaways at RSA's Outstanding Hotels, Spas, and RTJ Golf

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Discounts Webpage

ENJOY YOUR WINTER/SPRING A Special Deal FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$109**
• February 1-2, 10-16, 21, 23-29
• March 6-9, 13, 23-31
• April 1-7, 10-12, 17-21, 24-26

The Renaissance Riverview Plaza – Mobile – \$99
• February 3, 13, 16-18, 21, 24
• March 13-17, 23-31 • April 3-7, 10-11, 17-27

Marriott Grand – \$109 plus a 15% resort fee
• February 1, 9-12, 14-18, 22-25, 28-29
• March 1, 6-9, 16, 27-28
• April 3-4, 11-12, 17-18, 24-25

**Marriott Grand – RSA Golf Package – \$179
plus a 15% resort fee – Promotional code–R2A**
Includes: Deluxe Room, One Round of Golf for Two People.
Call for Tee Times after booking package
• February 1, 9-12, 14-18, 22-25, 28-29
• March 1, 6-9, 16, 27-28
• April 3-4, 11-12, 17-18, 24-25

**Marriott Shoals – Florence – \$99;
Breakfast Package \$124; Spa Package \$198**
• February 1-4, 7-8, 11, 14, 22, 28
• March 13-15, 20-21, 27-28, 31
• April 3, 10-11, 17, 24-25, 28

Renaissance Ross Bridge – Hoover – \$109
• February 1-4, 6-18, 24-29
• March 1, 5-6, 9-31 • April 1-11, 13-28

Opelika Marriott – \$99
• February 7-11, 14-18, 21-22
• March 13-14, 17, 20, 27-31 • April 3, 10-11, 17-18

Prattville Marriott – \$89
• February 7-8, 14-15, 21-22 • March 6, 13, 25-28
• April 3-4, 10, 17, 24-25

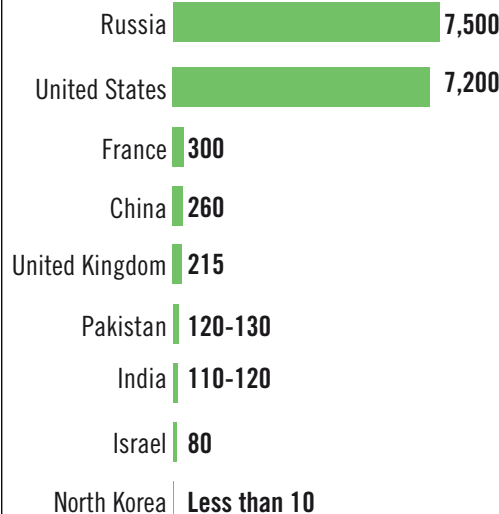
Renaissance Montgomery – \$109
• February 6-7, 10, 14, 21
• March 6-7, 13-14, 17, 24-28, 30-31
• April 1-2, 6, 11, 16, 28-30
RSA Spa Package – **\$189 – Promotional code–R2A**
• February 6, 10 • March 17, 24-26, 30-31
• April 1-2, 6, 16, 28-30

Specific room requests may require additional charge.
Rates available the 1st of the month and
are not applicable to groups.

800-228-9290 Ask for RSA rate. **Promotional
Code: R2A** on www.rsa-al.gov
Book Online and Save RSA \$4.

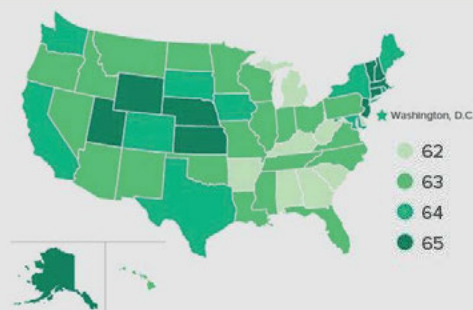
The Nuclear Club: The 9 Members

The United States' and Russia's arsenals make up
more than 90% of nuclear weapons. The countries
known to possess nuclear weapons:



Source: Federation of American Scientists

THE AVERAGE RETIREMENT AGE IN U.S. STATES



Based on U.S. Census Bureau labor force participation data.



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