



The 2017 Regular Legislative Session Successful Session for the RSA

BY NEAH M. SCOTT, LEGISLATIVE COUNSEL

The 2017 Regular Legislative Session ended on May 19, 2017. The Legislature fully funded both the ERS and TRS in the General Fund and Education Trust Fund budgets, respectively. In addition, the Legislature funded PEEHIP at \$800 per employee, per month. The PEEHIP Board voted that no changes were necessary (including premium increases) if funded at this rate.

No major legislation to reform the pension system was enacted or even introduced this session. Only three general bills and one local bill affecting the RSA were enacted.

- HB284, by Rep. Patterson, requires PEEHIP to cover certain autism therapies starting in 2019;
- HB342, by Rep. McMillan, allows

local ERS employers to grant one-time bonuses to their retirees;

- HB377, by Rep. Treadaway, includes new troopers in the State Police plan but would grant them Tier II FLC benefits instead of Tier II State Police benefits; and
- HB435, by Rep. Hurst, proposes a constitutional amendment to allow the Clay County sheriff to participate in the ERS.

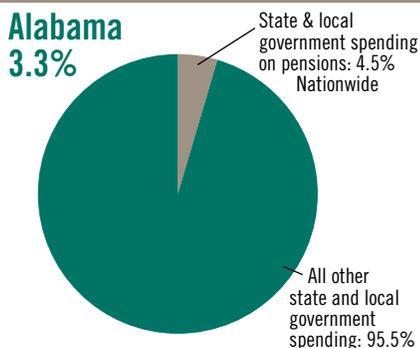
There are many legislators to thank for ensuring that the ERS, TRS, and PEEHIP are properly funded and that no harmful legislation was enacted (or even introduced). First and foremost, thanks to the Speaker of the House, Mac McCutcheon, and Senate President Pro Tem, Del Marsh, for working so closely with the RSA on

funding and legislative issues.

The RSA would also like to thank the General Fund budget chairs, Rep. Steve Clouse and Sen. Trip Pittman, for fully funding the ERS. Special thanks to the Education Trust Fund budget chairs, Rep. Bill Poole and Sen. Arthur Orr, for fully funding TRS and for ensuring that PEEHIP is funded at the rate necessary to prevent premium increases.

There are many more friends in the Legislature that have worked diligently to ensure proper funding and to protect the RSA for the sake of its members. Make sure you thank your legislator for all that they did this session to help ensure your pension system stays healthy and can continue to pay your hard-earned retirement and healthcare benefits. ●

State and local spending on public pensions as a percentage of total government direct general spending



Compiled by NASRA based on U.S. Census Bureau data

Alabama's Tax Burden Remains Light

BY LISA SINGLETON-RICKMAN | TIMES DAILY

The combination of property taxes, individual income taxes, and sales and excise taxes place Alabama in the lowest tier among states in collections, a statistic that local tax officials say won't change without an overhaul of the state's taxation structure. Tax burden measures the proportion of total personal income that residents pay toward state and local taxes. The Tax Foundation Center for State Tax Policy breaks down each state's taxes by category. New York has the greatest tax burden in the nation.

This tax season comes at a time when Republicans are planning the first major overhaul of the U.S. tax code in three decades. While many Alabamians believe the same is needed at the state level, no movement is afoot to do so. It's no surprise Alabama ranks

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2016 Annual Report Available

Telephone 877.517.0020 or 334.517.7000
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Listen to Mom and Dad about Money

BY KELLI B. GRANT, CNBC

It's not too late to act on money advice from Mom and Dad.

Six in 10 adults say they'd be wealthier today if they had listened to their parents, according to a survey from Mint.com, which polled 2,000 adults in January. The big miss: 85 percent said they wished they had started saving money from an earlier age, as their parents recommended.

Instilling a regular savings habit early is sound advice. Early birds are poised to take full advantage of the power of compounding, said Geoffrey Sanzenbacher, a research economist at the Center for Retirement Research at Boston College.

"The easiest way to think about it is with compounding, the money you save earlier is worth more than the money you save later," he said. The longer you wait, the less time your savings have to grow, meaning you'll need to set aside more to hit the same target.

For example, reports from the Center for Retirement Research estimate that 25-year-old workers who hope to retire at age 62 would need to save 15 percent per year to adequately replace their income in retirement. Start at age 35, and required savings jump to 24 percent per year to meet that same goal — or save 15 percent but delay retirement to age 65.

Putting aside money early can also provide flexibility. You'll have more leeway to meet goals even in the face of unexpected problems like a market downturn, job loss or illness, said certified financial planner Evelyn Zohlen, president of Inspired Financial in Huntington Beach, California.

(Editor's Note: Consider the RSA-1 Deferred Compensation Plan to help save more for your retirement. Contact RSA Member Services at 877.517.0020 for more information.) ●

INFRASTRUCTURE • WHAT TO BUILD

POWER INTERRUPTED

A snapshot of the nearly 4,000 blackouts recorded in the U.S. last year

17.9M

Number of Americans affected

1 in 3

Outages caused by weather or trees

\$150B

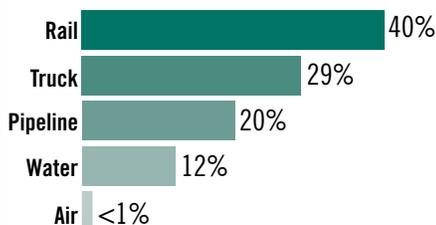
Damage to the economy

Source: Eaton 2016 Blackout and Power Outage Tracker

MAKING TRACKS

The U.S. has 140,000 miles of freight railways. Annually, they carry 40 tons of goods per person

Goods travel more miles on trains than on any other mode:



Source: DOT; Note: Figures do not add up to 100% because of rounding

Alabama's Tax Burden Remains Light

CONTINUED FROM PAGE ONE

near the bottom in property tax burden, as the state has always borne one of the lowest property tax rates in the country, currently at 1.4 percent. On the opposite end of the spectrum, New Hampshire pays the highest property tax at 5.3 percent. Alabama's sales and excise tax is 4 percent, according to the Alabama Department of Revenue.

Shelby Dodd, a registered tax preparer at Alabama Tax Services, said there's a simple explanation as to why Alabama is broke. "This state is lax in making people pay taxes, period," she said. "There are a multitude of exemptions, many that hurt the state financially. You can have property owners (couple) making more than \$100,000 per year and if one person is on disability, there's an exemption on property tax."

Dodd said putting a limit on pensions and other exemptions would help Alabama financially. "Raising the sales tax hurts everyone," she said. "Property tax should be raised, not with a huge jump or all at once, but slowly and in slight increments. My clients tell me they'd pay more. Everyone realizes it is ridiculously low, but I don't see it ever happening." She said Alabama's income tax brackets could expand as well, thus benefiting the state. Currently, low-income residents pay 3.5 percent, while middle income and up pay 5 percent. A 7 percent tax bracket for the upper incomes would "benefit the state immensely and still protect the low-income residents," she added.

Greg Carnes, dean of the College of Business at the University of North Alabama, said the current state tax collections are consistent with what he's seen for years in Alabama, and will continue to be the case as long as there's no change in tax structure. "The challenge of our policymakers is raising appropriate revenue to support state government initiatives," he said. "It's certainly feasible to change the tax structure, but it's difficult and takes very skilled policymakers."

While a progressive income tax rate puts more burden on higher-income individuals, Carnes said he doesn't believe Alabamians would be against it as long as they are confident in how the revenue would be used. In a more regressive tax system, those in the lower income sector lose incentive to look for gainful employment with a higher tax burden, he said. With a constantly changing economy, Carnes said generating tax revenue requires a nimble tax system. "We're using the same tax system of 30 years ago, and with all the changes we've had it obviously no longer works." ●

The 401(k) Is Wreaking Havoc on Retirement

SOURCE: BLOOMBERG

The shift from pensions to 401(k) plans is making retirement inequality much worse—and education is what separates the haves from the have-nots, a new study has found. College graduates have always been able to get better jobs. What’s new in recent decades is that traditional pensions have all but vanished, replaced by 401(k)-style plans.

In 1980, 38 percent of private sector workers had a pension and 19 percent a 401(k). By last year, according to the U.S. Department of Labor, the numbers had more or less reversed—just 15 percent had a pension and 43 percent a 401(k). That shift is creating “double disadvantages for the less educated,” wrote University of Kansas sociology professor ChangHwan Kim and U.S. Social Security Administration researcher Christopher Tamborini in a paper presented at the American Sociological Association’s annual conference.

The authors analyzed surveys linked to W-2 tax data to figure out how much Americans with varying levels of education were saving in their retirement accounts. Among workers who hold similar jobs with the same pay and who both contribute to 401(k) plans, a college graduate tends to save 26 percent more than a worker with just a high school diploma, the study concluded.

Workers with college degrees aren’t only far more likely to hold jobs that offer retirement plans. When offered the plans, they’re also far more likely to sign up and to contribute enough to retire comfortably.

The median private sector worker without a college degree is contributing nothing to a retirement plan, while the median college graduate pitches in more than \$2,000 a year, the study found. One reason is that less educated workers are likelier to hold lower-paying jobs that don’t offer retirement plans.

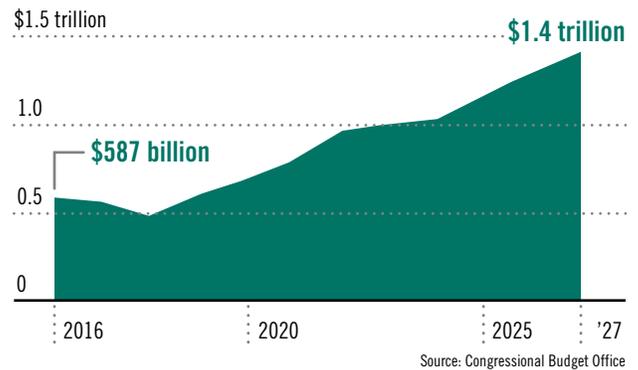
According to the study, 83 percent of workers with a bachelor’s degree have access to some kind of retirement plan—compared with 62 percent of high school graduates and 43 percent of high school dropouts. Even when they are offered 401(k)s, less educated workers find it much more difficult to take full advantage of them.

One advantage of a traditional pension is that it’s automatic: A set amount is contributed for each worker—an amount that’s supposed to guarantee a good income in retirement—and investments are managed by professionals ●

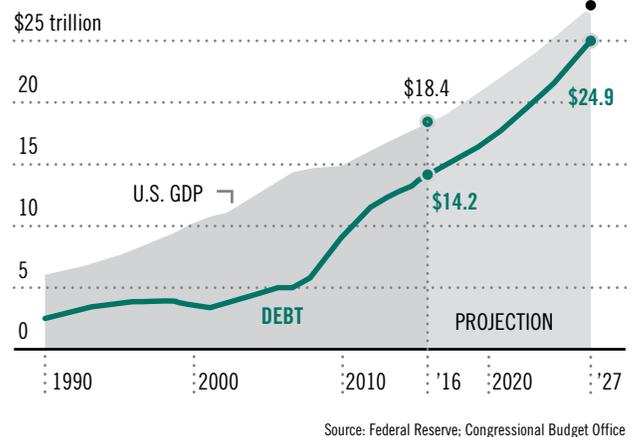
Staring Down a Tsunami of Debt

Trump has yet to outline a plan to deal with America’s looming debt and deficit crises. According to the CBO, unless the U.S. curbs spending—especially on entitlements—the deficit will swell from \$587 billion in 2016 to \$1.4 trillion in 2027, and America’s debt load will leap from \$14.2 trillion to \$24.9 trillion, a staggering 90% of GDP.

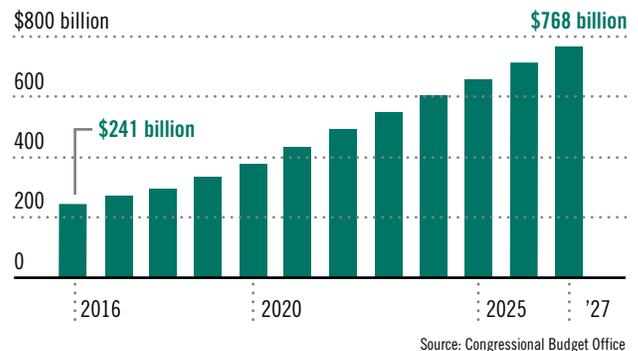
PROJECTED BUDGET DEFICIT



FEDERAL DEBT HELD BY THE PUBLIC



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- August 1-2, 6-31

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- August 13-15, 20-22, 27-28

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plus a 15% resort fee —Promotional code—R2A

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- August 13-15, 20-22, 27-28

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Breakfast Package \$124

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- July 2-5, 9-13, 16-20, 23-24, 30
- August 1-3, 6-8, 10-14, 20-23, 25, 27-31

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- July 9-10, 13, 16, 23-24, 30-31
- August 1-3, 13-17, 20-24, 27-31

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- June 4-5, 11, 18, 25-30
- July 1-10, 16-17, 23-24, 30-31
- August 6-7, 17, 20-26

Renaissance Montgomery—\$109

- June 11-13, 18, 21, 25-30
- July 1-3, 7-8, 23, 27, 30-31
- August 1-3, 6-7, 11-13, 21-23

RSA Spa Package—\$189—Promotional code—R2A

- June 13, 21, 27-30 • July 1, 7-8, 27
- August 1-3, 11-12, 22-23

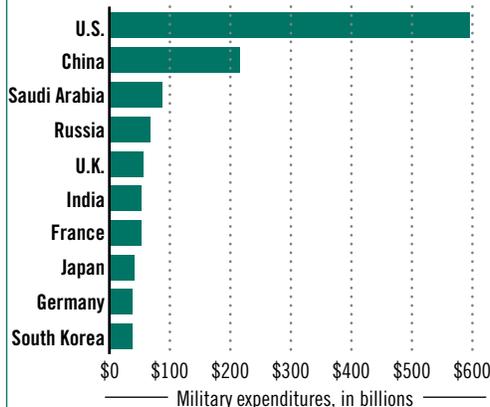
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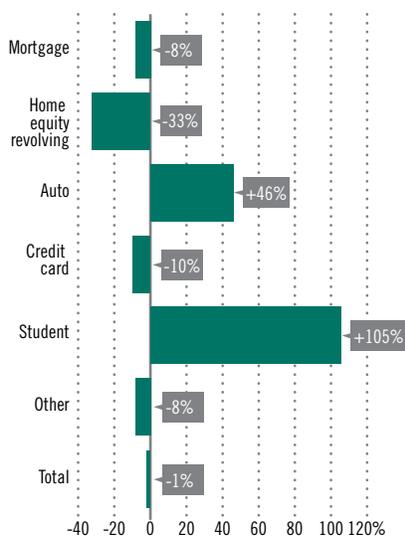
Countries with the world's largest military
expenditures in 2015



Source: Stockholm International Peace Research Institute
The Wall Street Journal

Student Loans Soar as Households Reduce Debt

Change in household debt since 2008



Source: Federal Reserve Bank of New York
Bloomberg



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