

PEEHIP Board Actions Save Your Health Insurance

BY DON YANCEY, DEPUTY DIRECTOR

There has been a lot of misinformation published about the PEEHIP premium and spousal surcharge increases passed by the PEEHIP Board last month. Some organizations have falsely claimed that PEEHIP has raised premiums each time that teachers get a pay increase or that the PEEHIP Board has some sinister motive for raising premiums. **Nothing could be further from the truth.** The Board's vote to increase premiums was not a vote against PEEHIP members, but was instead a vote to preserve the program.

The truth is that healthcare costs are out of control, and despite numerous very successful money-saving programs adopted by the PEEHIP Board and implemented by the staff, PEEHIP faced a \$141.5 million shortfall for 2017. The suggestion that PEEHIP could have gotten more money from the Legislature had it only asked is not based in reality. For fiscal year 2017, the Legislature appropriated **\$936.5 million** to PEEHIP, an increase of **\$23.4 million** over 2016. Meanwhile, the **cost** of PEEHIP coverage has grown from **\$936 million annually in 2008** to a projected cost of almost **\$1.5 billion in 2017** – over a 50% increase. Yet, between 2008 and 2014, the Legislature either level-funded

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You Won the Battle BUT the War Will Continue

BY DAVID G. BRONNER

In April, I asked you to speak up and let the Legislature know your concerns about the cash balance plan recommended by the Joint Committee on Alabama Public Pensions and the UNA bill proposed by Rep. Lynn Greer. And you did. Due to your calls, letters and emails, the 2016 Legislative Session ended without the introduction of the cash balance plan or passage of the bill to allow UNA to shift its unfunded liability of \$56 million to the rest of the TRS system. The RSA has you to thank for that, but always remember that you are the RSA.

Although we have won the battle, we still have a war to fight. Outside groups like Pew and the Alabama Policy Institute have manufactured a pension crisis and are clamoring for reforms that would ultimately do away with pensions. They are not going away. Billionaires are funding them, and they will continue lobbying for pension reforms that could ultimately undermine the system and impact your benefits. Only you can counteract their efforts.

Tell your legislator that major pension reform has already been enacted. In 2011, your employee contribution rate was increased and DROP was repealed. In 2012, benefits were substantially reduced for new members, thereby reducing future costs to the system. These reforms were the most extensive in the country (tied with Pennsylvania's reforms). Tell them that replacing the current defined benefit plan with a cash balance plan for new members could undermine the system and impact your benefits. Without your voice, we cannot win the war. So please, make sure that your voice continues to be heard.

If you are willing to fight to protect your pension program, I will commit to visiting every state Senate and/or House district that sponsors pension legislation that hurts your pension program!

For the final legislative update, visit our website at <http://www.rsa-al.gov/index.php/about-rsa/legislation/> ●

Official: Expanding Medicaid to net Louisiana \$677M savings

BY MELINDA DESLATTE | ASSOCIATED PRESS

Expanding Louisiana's Medicaid program is estimated to save the state \$677 million in its first five years, Gov. John Bel Edwards' administration said Monday as the Democratic governor announced enrollment will begin June 1. The savings would come, according to the state Department of Health and Hospitals,

from taking advantage of enhanced federal financing rates for health services that Louisiana currently provides for the poor and uninsured.

The projections presented to the Senate Health and Welfare Committee contrast with estimates provided to lawmakers in previous years under Republican

Gov. Bobby Jindal. Jindal opposed Medicaid expansion. Jindal's health secretary told lawmakers in previous years the expansion would cost Louisiana \$1.7 billion over 10 years. Edwards' health leaders instead estimated more than \$1 billion in savings over a decade.

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PEEHIP BOARD ACTIONS SAVE YOUR HEALTH INSURANCE (CONTINUED FROM PAGE ONE)

or reduced funding to PEEHIP even as healthcare costs rose dramatically.

Other than depleting the retiree trust fund, which by law can only be used to pay retiree healthcare costs, the only ways to close the gap between PEEHIP costs and the Legislature's appropriation is to reduce the cost of healthcare or increase the cost to the members. To minimize the need to increase costs for members, the Board adopted a number of other plan changes including a new plan design that will improve Medicare members' benefits, while also reducing PEEHIP costs by **\$55 million** in 2017.

Although these premium changes are painful and seem very large, as a percentage of average teacher income, the new premiums are only slightly more expensive than the premiums paid in 1990 for family and spousal coverage – 6% of average teacher income in 1990 as compared to 7.3% of average teacher income in 2017. PEEHIP also has a premium reduction program which would apply to many education employees and reduces PEEHIP premiums by up to 50% based upon family income and size. Moreover, although

there have been **12 across-the-board teacher pay raises since 1990**, PEEHIP single premiums have been increased only **twice** since 1990 (from \$2 to \$15 in 2010 and to \$30 in 2017) and PEEHIP family premiums have increased only **3 times** since 1990 (from \$124 to \$134 in 2000, to \$177 in 2010, and to \$207 in 2017 with a \$100 spousal surcharge).

Until last year, PEEHIP's family coverage included spouses with no surcharge. PEEHIP's premiums for that coverage were so low that many spouses dropped their employer-provided health insurance coverage and moved over to PEEHIP, which further contributed to PEEHIP's shortfall. **PEEHIP receives no additional funding from the Legislature for coverage of spouses' healthcare expenses, yet spouses made healthcare claims of over \$300 million last year.** For this reason, the PEEHIP Board implemented a spousal surcharge. It has increased once from \$75, which was to be phased in over three years starting last year, to \$100 in 2017.

The bottom line is that but for the PEEHIP Board members who had the courage to take an unpopular stand and

vote in favor of the premium and spousal surcharge increases, PEEHIP would either have run out of money before the end of the plan year or been forced to drastically cut benefits, raise out-of-pocket expenses, or completely exclude spouses from coverage at any price. A reversal of the premium increases would again put PEEHIP in that same position.

The PEEHIP Board members who voted for the increase have been unfairly targeted for criticism for simply doing the right thing. A premium increase is the fairest and least hurtful way for the members to continue to have excellent coverage and to save PEEHIP from financial insolvency. Most PEEHIP members are thankful to the Board for their service and for their willingness to make the hard decisions necessary to ensure that members continue to have quality healthcare coverage at a price that is still less expensive than almost all other state teacher healthcare plans. **AEA has sued to prevent the increases set to take effect October 1, 2016.** ●

OFFICIAL: EXPANDING MEDICAID TO NET LOUISIANA \$677M SAVINGS

(CONTINUED FROM PAGE ONE)

Edwards' health secretary Rebekah Gee told senators the Jindal administration cost estimates were "inflated to be unrealistic," assuming increased payments to health providers and other administrative costs that were "absolute worst-case scenario." Medicaid expansion will cover adults ages 19 to 64 making up to 138 percent of the federal poverty level — about \$16,200 for a single adult or \$33,400 for a family of four. The federal government will pick up the full cost of the health services for a short period of time. Louisiana will later have to pay a share that eventually will increase to 10 percent.

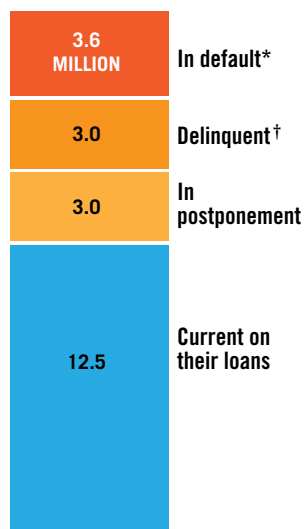
Even when Louisiana starts paying its full 10 percent cost share, the enhanced federal financing for other parts of the health budget still offer net savings, Gee said. "When we look at realistic assumptions, the balance sheet looks very good for the state," she said. Edwards assumes \$180 million in savings in his budget proposal for next year.

Louisiana will become the 32nd state to expand the government-financed health insurance program to the working poor when the new coverage begins July 1. Republicans in the Louisiana Legislature have blocked expansion efforts in prior years amid Jindal's opposition. BUT both GOP and Democratic senators on the health committee appeared Monday to have few objections....

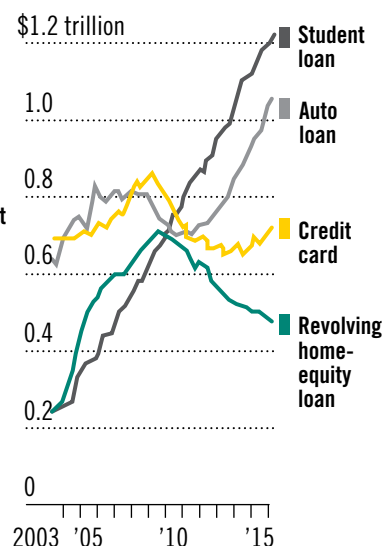
Failing to Repay

Some 43% of the roughly 22 million Americans with federal student loans were either behind or received permission to postpone payments due to economic hardship as of Jan. 1.

Americans who are out of school and owe federal student loans



Debt outstanding by type of consumer loan



*At least 360 days behind on a payment †Between 31 days and 360 days behind on a payment

Sources: Education Department (student loans); Federal Reserve Bank of New York (debt outstanding)

The Wall Street Journal

States Set Up Fight Over Web Sales Tax

BY RICHARD RUBIN, *THE WALL STREET JOURNAL*

Joe Garrett, Alabama's deputy revenue commissioner, wants his state to get sued—and the sooner, the better.

Mr. Garrett and like-minded officials in South Dakota, Utah and 10 other states are tired of waiting for Congress to write national rules to let them collect sales taxes from out-of-state Internet retailers. So, in a loosely coordinated effort, they are moving to impose those taxes themselves and daring merchants to challenge them.

The gambit is aimed at creating business blowback and a confusing national patchwork of laws that might prompt Congress to act. Short of that, the states want their moves to be questioned legally so they can ask the Supreme Court to overturn a 1992 ruling that forbids taxation of Internet sales by retailers that lack a physical location in a state.

In Alabama, the revenue department began enforcing an old law it says allows taxation of out-of-state sellers. The first taxes were due Feb. 20, and the state plans to audit companies that don't file returns.

"We're confident that some remote

sellers will not comply and therefore it will lead to litigation," said Mr. Garrett. "We have been very open about what we're doing."

The moves are a reaction to years of inaction in Congress that have disadvantaged local businesses, said Deb Peters, a Republican state senator in South Dakota. Her bill, which would apply sales taxes to out-of-state purchases, moved through the state Senate last week without opposition.

"Our businesses simply can't survive without someone stepping up to make the marketplace fair and even again," Ms. Peters said in an email. "Since Congress has once again failed, it falls to us to fill that void."

Separately, a federal appeals court Monday sided with Colorado on its approach to the issue, giving states another avenue to pursue. The Colorado law requires out-of-state retailers that don't collect taxes to send the state a list of in-state customers.

The latest maneuvers reopened fractures within the Republican Party

between small-government advocates and business executives. The state officials, even in heavily Republican states, back brick-and-mortar retailers in favoring broader state taxation powers. But antitax groups, online companies such as eBay Inc. and their allies in Congress call the congressional proposals tax increases that would subject businesses to overlapping audits in states where they don't have employees.

The Supreme Court ruled in 1992, in *Quill Corp. v. North Dakota*, that states can apply sales taxes only to companies with a physical presence in the state. As tax-free Internet sales expanded, states and big-box retailers grew increasingly frustrated with the ruling, which dates to the mail-order-catalog era of commerce.

Technically, customers must pay a so-called use tax on out-of-state purchases, but almost no one does. A University of Tennessee study estimated that states lost \$23.2 billion in revenue in 2012 because of remote sales; others say the number is significantly lower. ●

The typical American couple has only \$5,000 saved for retirement

BY REX NUTTING, MARKETWATCH

A PERVERSE TAX POLICY HELPS THE RICH TO SAVE, BUT DOESN'T HELP THE REST OF US

The median working-age couple had \$5,000 in a retirement savings account as of the most recent data. The top 10% of savers had accumulated \$274,000, according to the Economic Policy Institute analysis of Federal Reserve survey data.

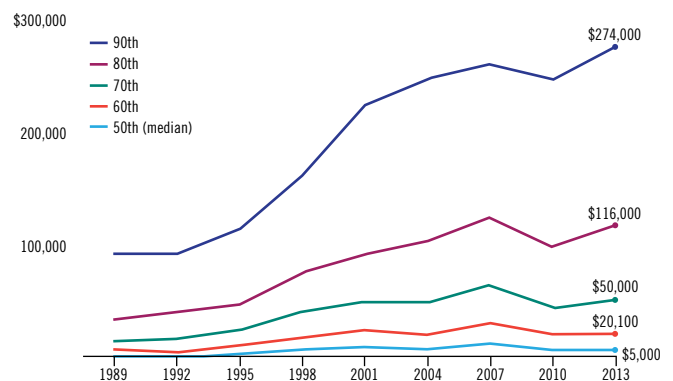
When American companies began switching from traditional pensions to self-directed 401(k)-like plans in the 1980s and 1990s, it was supposed to lead to a golden age of retirement security. No longer would workers be at the mercy of the company's generosity or of Social Security's solvency; workers themselves would be responsible for saving enough for a comfortable retirement.

Some 30 years later, the results are in: The median working-age couple has saved only \$5,000 for their retirement, according to an analysis of the Federal Reserve's 2013 Survey of Consumer Finances by economist Monique Morrissey of the Economic Policy Institute.

The do-it-yourself pension system is a disaster....

The gap between the retirement "haves" and "have-nots" has grown since the recession

Retirement account savings of families age 32-61 by savings percentile, 1989-2013 (2013 dollars)



Note: Retirement account savings include 401(k)s, IRAs, and Keogh plans. Scale changed to accommodate larger values. Source: EPI analysis of Survey of Consumer Finance data, 2013

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Candidates Sought for Two TRS Board Positions

Candidates are now being sought for two Teachers' Retirement System (TRS) Board of Control positions. The two positions will be filled in an election that will take place this October. The positions to be filled are Retired Position No. 2, and Superintendent Position. Retired Position No. 2 is currently held by Joe Ward, and Superintendent Position by Luke Hallmark. Elected members will begin their three-year term of service on July 1, 2017.

In order to qualify as a candidate for the Board, potential candidates must complete the Letter of Intent and Certificate of Assurance forms along with the Candidate Biographical Information form. The completed forms must be returned to the TRS office no later than 4:00 p.m., September 5, 2016.

If you are eligible and interested in running for either of the above positions, candidate forms are available on our website at www.rsa-al.gov or contact the Elections Coordinator at 877.517.0020 or 334.517.7192.

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