



The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



Vol. XXXIX — No. 11

SERVING OVER 335,000 MEMBERS

May 2014



Legislative Update

BY NEAH MITCHELL, LEGISLATIVE COUNSEL

The 2014 Regular Legislative Session came to a close on April 3 and was very successful for RSA members. Thanks to the budget chairs – Senators Arthur Orr and Trip Pittman and Representatives Steve Clouse and Bill Poole – both the ERS and TRS were properly funded at the actuarially requested rates.

PEEHIP's funding was significantly increased from \$714 per active member per month to \$780 per active member per month to address PEEHIP's significant projected shortfall for fiscal year 2015. **This increased funding prevented out-of-pocket increases for PEEHIP's active and retired members.** Special thanks are due to President Pro Tem Del Marsh, Senator Trip Pittman, Speaker Mike Hubbard, Representative Bill Poole, and Governor Robert Bentley for ensuring that PEEHIP received this necessary funding.

In addition, SB267, sponsored by Senator Del Marsh, was enacted (Act 2014-429) and grants a one-time, \$2 per service month bonus to be paid to all state employees who have retired on or prior to October 1, 2013, and beneficiaries of retirees who currently receive benefits. This bonus is optional for ERS's local units.

Another important piece of legislation is SB120 (Act 2014-297), which promotes fairness in the application of the return-to-work limitations by applying the limitations not only to retirees who return to work as employees, but also retirees who return to work as independent contractors. As a result, retirees who work as independent contractors for ERS and TRS employers will be subject to the same compensation caps that are currently applied to retirees who work as employees for these employers.

This legislation further requires retirees to provide written notice of postretirement employment with ERS or TRS employers to the RSA within thirty days after the date the retiree knows that he or she will be performing duties on a permanent or full-time basis, or will earn an amount above the compensation cap.

Finally, HB243, introduced by Representative Mac Buttram, was enacted (Act 2014-84) and will require a vote on a constitutional amendment to allow certain Cullman County officials to participate in the ERS. ●

PEEHIP Board Votes to Keep Premiums and Copays Level in 2015

BY DAVID G. BRONNER

The Public Education Employees' Health Insurance Plan (PEEHIP) faced a \$220 million shortfall for Fiscal Year 2015 starting October 1, 2014, due in part to Affordable Care Act mandates and rising medical and pharmaceutical health-care costs. Despite this massive shortfall, PEEHIP members will **not** have to pay higher premiums or copays to cover this shortfall because of generous funding from the Legislature and actions taken by the PEEHIP Board.

The PEEHIP staff worked closely with the Legislature and Governor Bentley to reach an agreement regarding the level of funding necessary to prevent out-of-pocket increases to PEEHIP members. As part of this agreement, the Legislature voted to increase PEEHIP's funding from \$714 per active member per month to \$780 per active member per month, resulting in an additional net increase of \$77 million to the plan.

As a result, the PEEHIP Board was able to address the remaining shortfall by using measures that would not involve increasing out-of-pocket costs for its members. First, the Board authorized the use of the maximum distribution amount, approximately \$107 million, from the Alabama Retired Education Employees' Health Care Trust as necessary to cover retiree health-care costs.

Second, the Board made a change to the plan language to address issues raised by the Affordable Care Act that would prevent \$36 million in increased costs to the plan. This plan change will not result in any increased out-of-pocket costs to PEEHIP members.

Thanks to the concerted efforts of the Legislature, the governor and the PEEHIP Board, PEEHIP members will not have to pay higher premiums or copays in the coming fiscal year. Furthermore, the PEEHIP Board and staff are working on a funding strategy to deal with increased costs for Fiscal Years 2016 and 2017. ●

Annual Report Available

Telephone 877.517.0020 or 334.517.7000

or Write* – RSA Annual Report, P.O. Box 302150, Montgomery, AL 36130-2150
or Request Online at www.rsa-al.gov

* Include your Name/Address and Zip Code

Economic Impact of the RTJ Golf Trail at Capitol Hill and the Two Related RSA Hotels

BY DR. MARK FAGAN; DEPARTMENT HEAD EMERITUS, JACKSONVILLE STATE UNIVERSITY

RSA invested in The RTJ Golf Trail at Capitol Hill in 1997, the Marriott Hotel and Conference Center at Capitol Hill in 2002, and the Renaissance Hotel/Performing Arts Center/Convention Center in Montgomery in 2008 as part of a strategy to grow tourism in Autauga, Elmore, and Montgomery Counties. There has been a steady increase for spending, revenue, employment, population, housing, and commerce in these three counties since then.

Annual Reports for the Alabama Tourism Department showed tourism spending (eating and drinking, transportation, lodging, and related retail) in Autauga, Elmore, and Montgomery Counties for 1997 was \$352.4 million and for 2012 was \$736.6 million, an increase of \$384.2 million. From 1997 till the end of 2012, the total in tourism spending over the 1997 level was \$3.3 billion.

Local sales taxes from tourism spending in these three counties for 1997 were \$14.6 million and for 2012 were \$42.6 million, an increase of \$28 million. At the end of 2012, the total local sales taxes from tourism spending over the 1997 level was \$242.3 million. Local lodging taxes for these three counties for 1997 were \$2.3 million and for 2012 were \$7.4 million, an increase of \$5.1 million. These lodging taxes do not include the room fee per night collected by Prattville and Montgomery. From 1997 till the end of 2012, the total local lodging taxes over the 1997 level was \$47.2 million and the combined total for local sales taxes from tourism spending and local lodging taxes over the 1997 level was \$289.6 million.

The result of this increased tourism spending is most evident at exit 170 on I-65 at Prattville. In 1997, there were four motels and 330 motel rooms in Prattville/Millbrook and in February 2014, there were 17 motels and 1,126 rooms. Between 1997 and 2014, Prattville and Millbrook added 13 hotels/motels and 796 hotel/motel rooms. Prattville had

eight more restaurants in March 2014 than in 1997 and Millbrook only had 12 of its current 25 restaurants operational in 1997.

The Prattville Planning and Development Department reported 593 construction permits for 2.7 million square feet of commercial space was added to their inventory from 1997 to 2014.

value in Millbrook of \$276 million from 1999 to 2011. This brought the total new housing value for housing inside the city limits of Prattville and Millbrook to approximately \$752 million since 1999. The mean earnings per household in 2010 were \$70,196 which means \$358.3 million in annual income for the households in these 5,105 new residences in Prattville/Millbrook since 1997.

Using a conservative multiplier of two, the direct economic impact of the increased commercial and residential construction for Prattville and Millbrook since 1997 was \$2.12 billion. The economic impact on Montgomery County from the construction of the Renaissance Hotel and Convention Center alone since 2002 was \$400 million. Residential and commercial growth in Montgomery is more dispersed and not included in these calculations. The annual economic impact from the increased tourism spending for these three counties is \$1.5 billion. The annual economic impact on Prattville and Millbrook from the earnings of the new residences is \$716 million.

Without The RTJ Golf Complex, Marriott Hotel at Capitol Hill, and the Renaissance Hotel in Montgomery, there might not have been this increased tourism spending and related local revenue in Autauga, Elmore, and Montgomery Counties. These RSA investments have provided important tourism industry assets that have been instrumental in stabilizing the economy and generating jobs in Autauga, Elmore, and Montgomery Counties. The investment by RSA, Prattville, Millbrook, Montgomery, and Autauga and Elmore Counties has provided a perpetual form of economic resources. ●



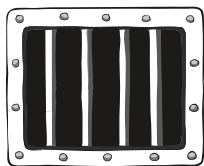
The estimated cost for this space was \$100 per square foot which meant \$270 million in commercial development in Prattville from 1997 to 2014. The city of Millbrook showed there were 38 permits for new non-residential space totaling \$37.5 million issued from 1997 to 2014. The total new commercial and non-residential space in Prattville and Millbrook from 1997 to 2014 was \$307.5 million.

Prattville issued 3,187 permits for residential construction from 1997 through 2013. The median value per housing unit in 2010 was \$149,300, an increase of \$475.9 million in housing value for Prattville from 1999-2013. The U.S. Census Data showed 1,918 housing units built in Millbrook from 1999 to 2011. This meant an increase in housing



Alabama spends less per prisoner than all but two states

BY STAN DIEI, SDIEI@AL.COM



The amount of money Alabama spends per inmate to keep its prisoners in state lockups has risen at more than two times the rate of inflation over the last decade, and the state still spends less than all but two other states.

Alabama spends \$42.54 per inmate per day, or about \$15,500 per inmate per year, according to the most recent data available from the Alabama Department of Corrections.

Only Kentucky (\$40) and Indiana (\$40.61) spend less, according to a 2012 report from the Vera Institute of Justice. Nationally, the average price of keeping a prisoner behind bars is \$85.72 per day, and has quadrupled in the last two decades, the nonprofit's report found.

The amount spent to keep Alabama prisoners behind bars has increased in all but two of the past 10 years, and has increased 63 percent since 2002. The rate

of inflation over that same period was 28 percent, according to the Bureau of Labor Statistics. Overall, Alabama's prisons budget has more than doubled in the past 12 years, rising from \$173.5 million to \$373.5 million.

The Vera analysis, done in conjunction with the Pew Center on the States, included costs to taxpayers that often don't show up in corrections budgets. Nationally, the cost to taxpayers to keep prisoners incarcerated is about 14 percent higher than the costs that are reflected in prison budgets, which in many states do not include spending on medical care, benefits for corrections officers and other expenses.

Alabama was among the states whose corrections budgets are a fairly accurate representation of corrections spending, the report found. Spending per prisoner in Alabama is about 3.7 percent higher than the spending reflected in the DOC budget, according to the report. ●

AMOUNT SPENT PER INMATE PER DAY

BOTTOM FIVE SPENDERS

STATE	AMOUNT SPENT
KENTUCKY	\$40.00
INDIANA	\$40.61
ALABAMA	\$42.54
LOUISIANA	\$47.91
KANSAS	\$49.88

TOP FIVE SPENDERS

NEW YORK	\$164.60
NEW JERSEY	\$150.32
CONNECTICUT	\$137.70
RHODE ISLAND	\$134.61
CALIFORNIA	\$129.92

EDITORIAL: MONTGOMERY ADVERTISER

We need federal funding

Railing against the federal government is a staple of Alabama politics. It's also one of the all-time ironies, given the state's heavy dependence on federal money and employment. That irony may be lost on the state's politicians, but it shouldn't be lost on the rest of us.

There's probably more smoke blown about those heavy-handed feds and their oppressive taxes and regulations than about anything else in Alabama, yet our

state benefits more than 47 other states — often greatly more — from federal funds and jobs. Consider that the next time you hear some Alabama pol nattering on about the menace from Washington.

A new study from WalletHub finds that Alabama gets \$3.28 in federal funding for every \$1 paid in federal income taxes in the state. Name another legal enterprise that nets a return like that.

That's more than Mississippi (\$3.07) gets, more than Kentucky (\$2.39) gets, and far more than Tennessee (\$1.64), North Carolina (\$1.34), Arkansas (\$1.10) or Georgia (\$1.05) get.

Federal money covers 37 percent of overall state spending in Alabama. That's more than in South Carolina, Kentucky, North Carolina and Arkansas. Federal funds bolster state funding throughout Alabama government, notably in health care, transportation infrastructure and education.

Working for the federal

government is a big factor in Alabama as well. Our state has more federal employees per capita than Mississippi, Tennessee, Georgia, Florida, Kentucky, South Carolina, North Carolina or Arkansas.

None of this is to say that the feds don't have their flaws, or that even the usually misguided rhetoric of anti-government Alabama politicians does not occasionally hit a legitimate target. Rather, the point is that the routinely maligned federal government is a huge component of Alabama government and of the Alabama economy, and to reflexively denigrate it is foolish.

Suppose that return of federal funds on taxes paid dropped to the level of Tennessee. That's half of Alabama's return, \$1.64 vs. \$3.28. What would that mean for Alabama?

The impact would be devastating, but Alabamians rarely hear the reality of such circumstances discussed. Instead, they are treated to a lot of overblown talk — even as their state has its hand out for those federal dollars. ●



WANT TO HELP?

A FREE CAR TAG

Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call to request a tag at 334.517.7000 or 877.517.0020, or write:

**Tag, P.O. Box 302150
Montgomery, AL 36130-2150**

Enjoy the Airbus LPGA Classic in Mobile – May 22 – 25

For More Information: www.airbuslpga.com

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

PRSR STD
U.S. POSTAGE
PAID
MONTGOMERY, AL
PERMIT NO. 402

ENJOY YOUR SPRING/SUMMER A Special Deal FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$109**
• May 1, 6-10, 18, 26-31
• June 1-7, 9, 13-15, 20-21, 25-27, 29, 30
• July 1-13, 18, 25-26, 30

The Renaissance Riverview Plaza – Mobile – \$99
• May 1, 6-10, 18, 26-31
• June 1-7, 9, 13-15, 20-21, 25-27, 29-30
• July 1-13, 18, 25-26, 30

Marriott Grand – \$109 plus a 15% resort fee
• May 4-5, 7-8, 11-15, 26-27 • June 1-2, 11, 18, 25, 29-30
• July 6-7, 17, 31

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
• May 4-5, 7-8, 11-15, 26-27 • June 1-2, 11, 18, 25, 29-30
• July 6-7, 17, 31

**Marriott Shoals – Florence – \$99;
Breakfast Package \$124**
• May 8-9, 11, 18, 26-28 • June 8, 19, 29-30
• July 1-3, 6, 13, 20, 27

Renaissance Ross Bridge – Hoover – \$109
• May 1, 17-18, 22, 26-31

* Memorial Day Weekend, May 23-25, requires a 3 night stay; early
departures will result in a rate change to \$259 plus tax per night.*

• June 1-5, 8-12, 15-18, 22-26, 29-30
• July 1-3, 6-10, 14-17, 20-24, 28-31

* Independence Day weekend, July 4-5, requires a 2 night stay, early
departures will result in a rate change to \$259 plus tax per night.*

Opelika Marriott – \$99
• May 1, 5-7, 14, 18-20, 22, 25-29
• June 1-5, 8-17, 22-24, 26, 29-30
• July 1-3, 8-9, 13-16, 20-24, 27-31

Prattville Marriott – \$89
• May 4-7, 10-11, 15, 18-19, 23-27, 29-31
• June 1, 4, 8-16, 21-22, 29-30
• July 1-10, 13, 16, 19-22, 24-28, 31

Renaissance Montgomery – \$109
• May 4-8, 10-11, 18, 21-31 • June 13-16, 20, 25-30
• July 1-5, 9-14, 17-19

RSA Spa Package – \$189 – Promotional code–R2A
• May 6-10, 21-23, 27-31 • June 13-14, 20, 25-28
• July 1-2, 9-12, 17-19

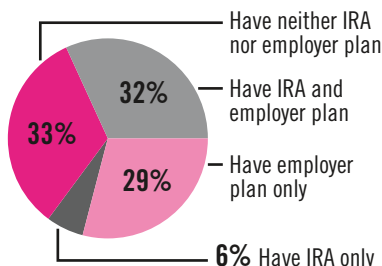
Specific room requests may require additional charge.
Rates available the 1st of the month and
are not applicable to groups.

800-228-9290 Ask for RSA rate. **Promotional
Code: R2A** on www.rsa-al.gov

Book Online and Save RSA \$4.

Multiple Resources

Many Americans have both individual
retirement accounts and employer-sponsored
retirement plans



Note: Workplace plans include defined-contribution plans,
such as 401(k)s, and pension plans

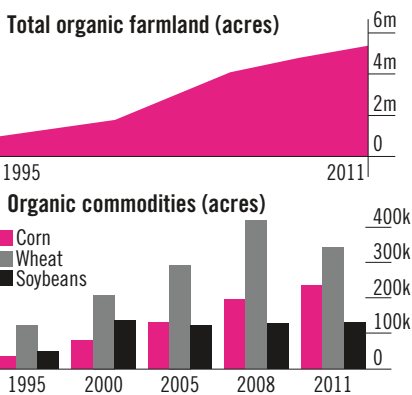
Source: Investment Company Institute

The Organic Breakdown

All the organic farmland in the U.S.
would fit in an area the size of New Jersey

0.64%

of total U.S. farmland is devoted
to certified organic food crops



The ADVISOR

CEO
David G. Bronner

Deputy Director
Donald L. Yancey

Executives

Communications
Michael E. Pegues

Chief Accountant & Financial Officer
Diane E. Scott

Employees' and Judicial Retirement
William F. Kelley, Jr.

Field Services
Robert J. Crowe

Information Technology Services
Michael T. Baker

Investments
R. Marc Green

General Counsel
Leura G. Canary

Legislative Counsel
Neah L. Mitchell

Member Services
Penny K. Wilson

PEEHIP
Donna M. Joyner

Teachers' Retirement
Christopher P. Townes

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 Website
www.rsa-al.gov