The ADVISOR
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Legislative Praise

SOURCE: CHARLES J. DEAN | AL.COM

I wanted to take a few lines to praise not just the action in the state Senate approving the first real steps in reforming Alabama's overcrowded prison system, but the manner in which the Senate worked.

You don't see a room full of politicians, especially state senators, put their politics and egos aside very often and sustain an effort to solve a real problem. But, that is what the Senate largely did last week in passing the prison legislation. Led by Sen. Cam Ward, R-Alabaster, the men and women of the body debated the legislation in a serious and mostly intelligent way. There was a minimum of political grandstanding and red meat power plays.

Instead the senators acted like men and women sent to Montgomery to solve real problems. In this particular instance, they did that job, or as I said at least made a good first step toward solving the problems with our prisons. There. I did it. I said something good about the Legislature. Maybe with any luck I will do it again before the session ends in June. We'll see. ●

Some Critics Need Remedial Education

BY DAVID G. BRONNER

It would be boring not to have the freedom of speech our forefathers gave us, or we would not have anything to tickle our funny bones from Washington, D.C. to Alabama. U.S. Senator Ted Cruz, a presidential hopeful, enjoys berating Obamacare. Since his wife has left employment with Goldman Sachs, one of the options he is looking at is health coverage under Obamacare. Meanwhile, in Alabama, the Alabama Policy Institute (API) has published a 49-page study of erroneous, contradictory, flawed nonsense about pension plan reform.

The authors of the API study, professors James R. Barth and John Jahera of Auburn University, have no apparent background in pension research and did not contact the RSA in the writing of this report. While they will have their pension under the current benefit plan, they want to propose a "cash balance" pension for future public employees. Only two states out of 85 state retirement systems – Kansas and Kentucky – require a cash balance plan for new employees. They are touted by the authors when in fact Kentucky is one of the worst funded retirement plans in the country at 25.8%!

It is indeed difficult to stomach the criticism of the RSA program from those that have their benefits, but you also need to know that certain four-year Alabama universities provide an **EXTRA** pension to their employees. In fact, the last time I looked, no other state does. Other states give university employees a choice between the teacher retirement plan in their state **OR** a TIAA-CREF or VALIC plan. **BUT** in Alabama, a select few can have **BOTH**.

The API study did have one valid point regarding the lack of reform of the Judicial Retirement Fund (JRF), which has a 2016 employer (taxpayer) rate of 40.98% of payroll. In comparison, the employer rate for the teachers' system is 11.94% of payroll and 14.57% for state employees. While the Legislature charged current public employees more for their pensions and gave lower benefits to future public employees, they did not see fit to address JRF costs.

RSA's three-page analysis of this API study is available on our website at www.rsa-al.gov, or you can call or write us and we will mail you a copy of our early analysis. ●

PEEHIP Funding Request Cut in Preliminary ETF Budget

Last legislative session, PEEHIP received a significant increase in funding for FY15 from $714 per active employee per month to $780 per active employee per month. Despite this significant increase, PEEHIP still faces likely shortfalls for FY16. The Senate Education Trust Fund (ETF) Budget passed the Senate in mid-April and holds PEEHIP at 2015 funding levels. PEEHIP requested $800 per active employee per month, but the Senate proposed level funding of $780, which would create an estimated additional shortfall of $23 million.

The $800 funding request did not fully fund PEEHIP for 2016. With funding at that level, PEEHIP's initial estimate was a shortfall of $119.3 million, which would be reduced by the new Wellness Program. If the final ETF budget remains level and does not provide additional funding for PEEHIP, the remaining overall shortfall is currently estimated to be $86 million, but that amount is subject to change as PEEHIP receives the May updated numbers.

PEEHIP staff will monitor the progress of the ETF budget over the next few weeks. If the funding level for PEEHIP remains at the current level, the $86 million must be made up from either cost-saving measures, benefit reductions, increased out-of-pocket costs, payments from the Alabama Retired Education Employees' Health Care Trust, or a combination thereof. ●

Enron Billionaire Frets About Public Pensions' Solvency

BY MARIANNE LEVINE | POLITICO

When former Enron trader and Texas billionaire John Arnold donated more than $1 million to a November 2014 initiative to reform the public pension system in Phoenix, pension activists took notice. Arnold's donation to Proposition 487, also known as the Phoenix Pension Reform Act, constituted close to 75 percent of total donations for the ballot measure, which failed. Had it passed, it would have moved new state employees from a defined benefit plan into a less generous (and less expensive) defined contribution plan such as a 401(k). Despite his Arizona defeat, no one believes Arnold is done.

"In nearly every single battle over public pensions, we can follow the money trail back to John Arnold," said Jordan Marks, executive director of the National Public Pension Coalition, a union-funded organization. "It's a highly coordinated national effort that comes from [the] same dark-money, ideological source." Arnold was not available for an interview.

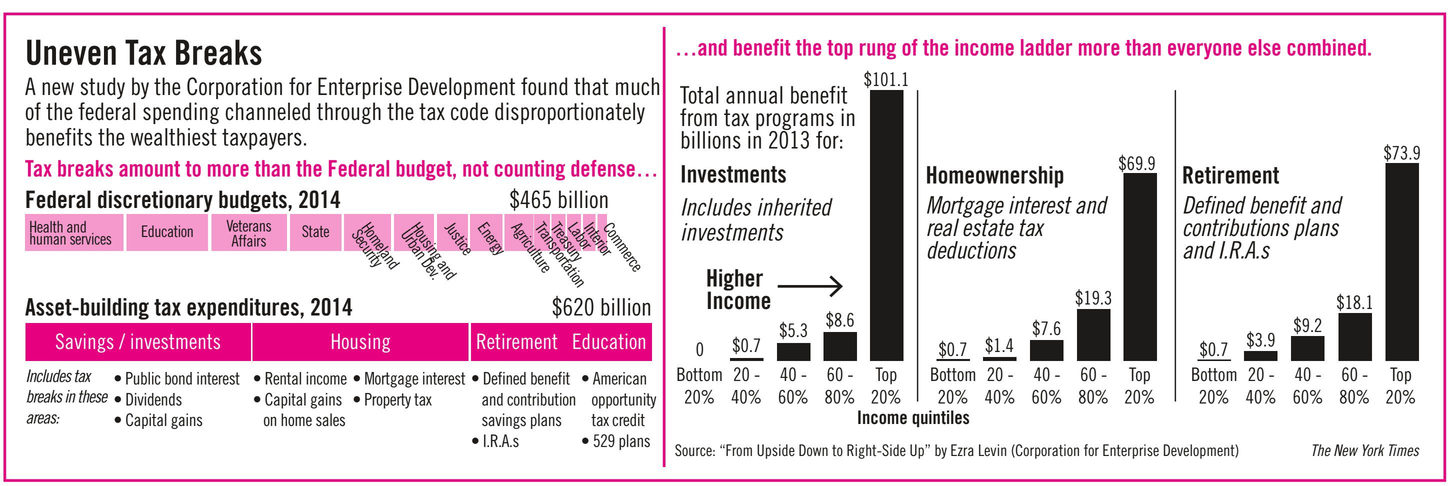
The problem Arnold wants to fix is real. Public pension systems currently face a shortfall of more than $1 trillion. They've helped put two cities — Stockton, California and Detroit — into bankruptcy. In October, a court-approved exit plan for Stockton's bankruptcy eliminated nearly $550 million in retiree health care benefits for city workers but did not cut pensions. Detroit's bankruptcy exit plan, approved in November, included public pension cuts[…] Arnold's critics argue that he exaggerates the insolvency of public pensions nationwide. They also question his fitness to evangelize for pension austerity, given that he made his fortune at a company that in its 2001 collapse wiped out $2 billion of its own employee pension funds and cost public employees whose pension funds invested in Enron an additional $1.5 billion. "We're talking about a former Enron executive who profited off a bankruptcy that destroyed the retirement savings of millions of hard-working Americans," says Randi Weingarten, president of the American Federation of Teachers.

Still, Arnold is undeterred, giving generously to politicians who support pension benefit cuts. In the 2014 cycle, Arnold and his wife donated $200,000 to a super PAC that supported Democrat Gina Raimondo's successful gubernatorial campaign in Rhode Island. As Rhode Island's state treasurer, Raimondo had enacted pension benefit cuts that cost her union support. Rahm Emanuel, who made similar changes to Chicago's pension system, also received financial assistance from Arnold. San Jose Mayor Chuck Reed, another Democrat, tried, unsuccessfully, to place an initiative on California's November 2014 state ballot that would have allowed public employers, under specific circumstances, to reduce employee benefits and to increase contributions to underfunded plans. Arnold bankrolled the entire effort, to the tune of $200,000.

According to data compiled by the NPPC, based on donations disclosed on the website of the Laura and John Arnold Foundation and on news articles, Arnold has since 2008 spent more than $53 million on pension policy reforms, not all of it in the political realm. (In an email interview with Reuters, Arnold disputed those numbers.) Other beneficiaries listed include universities and think tanks such as Brookings and the Pew Charitable Trusts. Much of the money was spent to support pension reforms, but some was spent on education reform. Both efforts, unions point out, tend to favor benefit cuts to public employees […]

A Pew study in collaboration with the Arnold Foundation attributed public-pension weaknesses to "a combination of investment return shortfalls, missed contributions and unfunded benefit increases." The study indicated that only 15 states (**Editor's Note:** *The RSA has always been fully-funded.*) had consistently fulfilled 95 percent or more of their annually required contributions. But Dean Baker, co-director of the liberal Center for Economic Policy Research, says that plans are in decent financial health so long as they're about 70 percent funded. A recent study from Boston College's Center for Retirement Research indicated that a healthier stock market has already helped improve funding for public pension plans, and that by 2017, assuming a healthy stock market, most public plans would most likely be funded at least 80 percent.

Baker added that while a $1 trillion shortfall might sound alarming, over a 30-year period it wasn't particularly worrisome. "The idea that this is an impossible burden — that's just nuts," he said. "I think they have done a lot to exaggerate the size of that number. It sounds really big, it sounds really scary." Arnold and others, Baker said, use that number "to force drastic changes in the structure of pensions." ●



How Is Your State Treating Its Firefighters, Nurses and Teachers?

BY ELAINE RYAN | AARP

A new report by the National Association of State Retirement Administrators (NASRA), examines the performance of each state in meeting its commitments to fund public employee pension plans to protect the financial future of hardworking public employees. Here's the breakdown.

CONSISTENT PAYERS

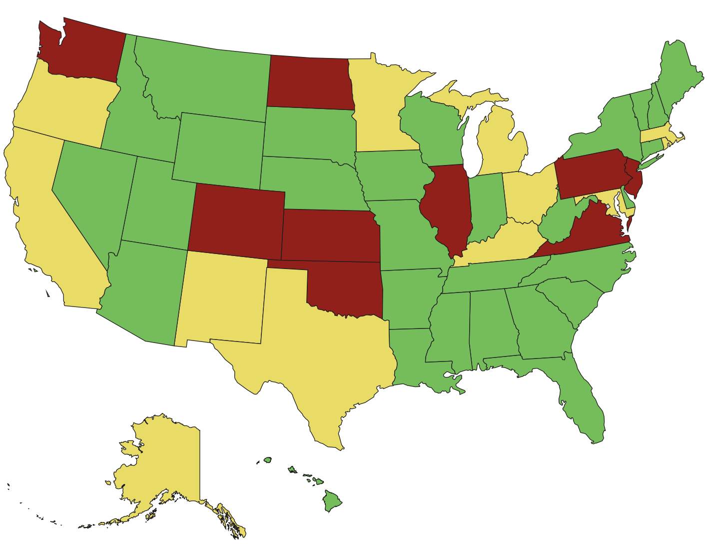
Thirty states and the District of Columbia have been diligent about making 90 percent or more of their annual payments, on average, to their pension plans, in order to uphold their promise to the employees who paid into these plans over a lifetime of hard work. These states are: **Alabama**, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Hawaii, Iowa, Idaho, Indiana, Louisiana, Maine, Missouri, Mississippi, Montana, North Carolina, Nebraska, New Hampshire, Nevada, New York, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Wisconsin, West Virginia and Wyoming.

FALLING BEHIND

Eleven states could be doing a better job at making their annual payments into their pension plans. These states are: Alaska, California, Kentucky, Maryland, Massachusetts, Michigan, Minnesota, New Mexico, Ohio, Oregon and Texas. Each state has made on average between 80 and 90 percent of its annual payment.

MAKE THE PAYMENT!

Nine states have not funded their pension systems in any meaningful way over a number of years, leaving their public employees at risk of losing their hard-earned financial security for their retirement years. There is a great deal of room for improvement in Colorado, Kansas, North Dakota, New Jersey, Illinois, Oklahoma, Pennsylvania, Virginia and Washington. ●



CONSISTENT PAYERS | FALLING BEHIND | MAKE THE PAYMENT

Alabama Needs More State Troopers

SOURCE: EDITORIAL | *MONTGOMERY ADVERTISER*

More speeding drivers. More aggressive drivers. Fewer DUI checkpoints that keep impaired drivers off the road. Longer wait times for law enforcement agents at accident scenes. Those are the results that accrue when the number of state troopers patrolling highways falls below a critical mass. Absent their watchful eyes, some drivers ignore speed limits and otherwise break the law in ways that endanger everyone.

That's the reckless status quo in Alabama, where trooper force numbers for years have been far below needed levels. The dearth of troopers is yet another negative consequence of irresponsible budget cuts for the most basic state functions. In 2014, only 289 troopers patrolled the state's 67 counties. Staffing is up a bit this year with 431 officers on the roads, but only because personnel from other law enforcement departments are pulling trooper shifts. Little is known about how that shuffling affects the overall quality of public safety services for Alabama residents.

A three-year federal grant through the U.S. Justice Department's Community Oriented Policing Services has also added 21 newly hired troopers, the first class to graduate since 2010. Alabama politicians who denounce federal spending should note who, once again, is helping cover the tab for the state's deficits and failed tax policies.

CONTINUED ON PAGE 4

ERS Board News

ERS Board Vice Chair Jackie Graham delivers Oath of Office to Mr. James Fibbe, who was re-elected to the Retired Local Position.

2014 RSA Annual Report Available at www.rsa-al.gov or call RSA for a Printed Copy.

RETIREMENT SYSTEMS OF ALABAMA
201 SOUTH UNION STREET
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MONTGOMERY, ALABAMA 36130-2150

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Alabama Needs More State Troopers

CONTINUED FROM PAGE 3

Even with the beefed-up 2015 numbers, Alabama troopers operate as a skeleton crew. In some counties, a lone officer works one daily shift. When road accidents happen, help can be very far away. Minimally, Alabama needs 1,016 troopers, according to a new study by the University of Alabama's Center for Advanced Public Safety. The staggering shortfall of nearly 600 troopers poses an unacceptable risk to all who use the roads, including troopers themselves, who face life-threatening scenarios when they respond to potentially violent situations with no backup nearby. The shortage also means troopers must spend most of their time merely reacting to incidents instead of also working to prevent crimes, such as auto theft.

The recent consolidation of several policing agencies under the banner of the Alabama Law Enforcement Agency was touted as a way to reduce inefficiency and save money that could be used to hire more troopers. So far, that hasn't proved sufficient and it remains imperative the state find ways to bolster the trooper force. Public safety otherwise will continue to be irresponsibly damaged. The first step is for the Republican-led Legislature to dig its head out of the sand and acknowledge Alabama can no longer slash its way to solvency, but must find new revenue sources. ●

The ADVISOR

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