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Improving Benefits for RSA's Tier II Members

BY NEAH SCOTT, LEGISLATIVE COUNSEL

The Alabama Legislature took great strides this session to address issues stemming from Tier II retirement, but there is still a ways to go.

At the time Tier II was passed, it seemed as though pubic pensions across the country were in trouble. The 2008-2009 recession hit the country, and the RSA, hard. Like most other public pensions, the RSA suffered investment losses. In response to the recession, major efforts were made across the country to reform pensions. Alabama followed suit, but made some of the biggest cuts in enacting Tier II with a 20% reduction in benefits.

Since those reforms, the RSA has made great strides in its recovery, mainly due to investment gains and the continued commitment of the Legislature to fully fund the system. It is years ahead of schedule in its funding progress with over a billion dollars less in unfunded liability than projected in 2012. Since 2009, the RSA has earned over $26 billion in investment income, paid out over $26 billion in benefits, and increased its assets by almost $14 billion.

It now appears that the Tier II reforms were an overcorrection that have caused issues with recruitment and retention of local government, state, and education employees. The local governments that participate in the RSA were the first to recognize this and brought a solution to the Legislature: allow the local governments to provide Tier I benefits to Tier II members that work for those entities. The Legislature passed a bill to allow such an election this session.

The education community brought a proposal to the Legislature to create a Tier III for the TRS that would be an improved benefit when compared to Tier II, but would still retain some of the Tier II reforms. A bill to do the same for the ERS state members was later introduced. Both of these bills were passed by the House. However, the ERS state Tier III bill died in Senate committee. The TRS Tier III bill was amended by the Senate on the last day of session to apply only to active teachers, but the House was not able to bring the bill up to concur in the changes before the session ended.

These bills are important to address the needs of state and education employers and to fix the overcorrection made with the Tier II reforms. We hope that next session, the Legislature will finish what it started. ●

Retiree COLAs Can Kill A Pension Program

BY DAVID G. BRONNER

After the 2019 Legislative Session ended, the two Facebook pages – Save Our RSA Retirement and RSA 2019 – got up in arms over no Cost-of-Living Adjustment (COLA) for retirees. These two sites have been crucial to the survival of the RSA. Without them, we would most likely be talking about a 401(k) instead of an excellent defined benefit pension program.

I cannot speak about COLAs before I arrived at the RSA, but there have been 17 COLAs from 1971 to 2006. These COLAs are only granted on an ad-hoc basis by the Legislature without any upfront funding. To date, the RSA has paid out almost $7 BILLION for these COLAs. The estimated present value of the funds needed to pay all remaining COLA payments is $1.5 BILLION.

Keep in mind that many officials, including some governors, do not comprehend how COLAs are funded. A fiscally sound COLA for retirees needs to be funded by the Legislature. Because a COLA's cost creates a huge – if not impossible – burden on a one-year budget, (funding a modest 1% COLA would cost $221.7 million), COLAs have not been granted since 2006. Instead, the Legislature has worked to find other relief for retires that will not break the budget. This has led the Legislature to grant four, one-time retiree bonuses since 2008.

By not having the dollars to fund a COLA upfront, granting a COLA means RSA's unfunded liabilities would increase, causing the Legislature and governor to fund the employer cost (like a house mortgage) for these liabilities over a 30-year funding period.

Anytime you increase pension benefits, your unfunded liabilities skyrocket. For example, in 2006 the 7% unfunded COLA added $1.1 BILLION to the RSA's unfunded liability. Today, a 7% unfunded COLA would add more than $1.55 BILLION to RSA's unfunded liability. **Higher unfunded liabilities could jeopardize the safety of everyone's retirement benefit.**

I have never heard of a private company giving their employees a COLA after retirement. You receive a dollar amount when you retire and that's it. Social Security gives COLAs, but they are projected to run short of funds in the near future.

Finally, if you want a sound COLA, we must find a new source of revenue. Alabamians hate fair and reasonable taxes, and that is why I suggested a lottery decades ago, as well as sports betting with the recent U.S. Supreme Court ruling. Read the related article in this *Advisor* issue about Illinois, and you will see why proper funding is imperative to a sound pension program. ●

Illinois's Budget Fixes Don't Fix Everything

BY LAUREN SILVA LAUGHLIN | *THE WALL STREET JOURNAL*

Illinois is trying to pull off a circus act to improve its financial position. Ratings firms weren't amused.

State lawmakers have legalized gambling and marijuana in an effort to patch the state's fiscal mess. Meanwhile, changes have been made to the state's tax structure to put it in a more viable short-term financial position. But Illinois's pension deficits are too far gone, and its leaders are quickly running out of tricks.

Over the past couple of weeks, the state has ushered in plans that would add casinos and legalize sports betting, as well as allow cannabis sales starting in 2020. It is part of the Democratic Gov. J.B. Pritzker's "think big" plan that has won bipartisan support. It includes other measures such as changing the state's flat tax to a graduated income-tax system.

Bickering among politicians kept lawmakers from passing a budget for two years. As a result, the state piled up unpaid bills. Such irresponsibility has earned Illinois the lowest ratings of all 50 states from Moody's Investors Service, though it remains barely investment grade.

Revenue provided by the new measures pales in comparison to stored-up problems. Illinois's pension systems had a $162.5 billion funding hole, according to calculations in November by rating agency Fitch.

Like nearly every state and municipality, those calculations rest on an ambitious rate of return, particularly in comparison with today's bond yields. Unlike most, Illinois is considering the issuance of tax-exempt bonds that would bolster pension funds in the hope of earning an excess return – a risky strategy it has tried in the past […] ●

The Shoals and the Marriott Shoals Hotel & Spa

HIT MUSIC ON ALABAMA'S ROBERT TRENT JONES GOLF TRAIL | SOURCE: *GOLF ADVISOR*

Over the years, we've been big proponents of Alabama's Robert Trent Jones Golf Trail. Although it started out as the ultimate budget-friendly buddy road trip golf feast, it has evolved into something that has a more diverse and upscale appeal through the RTJ Resort Collection of Marriott Resort Hotels. While you'll still run into guy groups from all over the country zipping from one corner of the state to the other and stopping at numerous places in between, you're apt to see couples on the courses as well. As part of this evolution, more people are treating individual Trail sites as discrete resort destinations and staying put to enjoy more than just golf. On our most recent foray to the RTJ Trail, we turned our visit to The Shoals into a satisfying weekend of golf and sightseeing in Florence and Muscle Shoals.

The Shoals seems like an outlier on Alabama's Robert Trent Jones Golf Trail. Unlike the other sites, this northwestern most outpost on the Trail is not near an Interstate. It isn't even near one of Alabama's major population centers, as both Florence and Muscle Shoals are small cities. Northwest Alabama Regional Airport (MSL) is convenient for private fliers, but the commercial option, Huntsville International Airport (HSV), is 55 miles from The Shoals. The next nearest Trail site is Huntsville's 54-hole Hampton Cove, home to the Highlands, River, and Short courses.

What was Dr. David Bronner, head of the Trail's parent Retirement Systems of Alabama, thinking when he chose Muscle Shoals as the Trail's tenth golf site? The impressive beauty of the land, set beside a rocky stretch of the Tennessee River not far from the Wilson Dam, won him over. Bobby Vaughn, the head of the Sunbelt Golf Corporation that built the courses, and Roger Rulewich, then Robert Trent Jones, Sr.'s lead associate, designed The Shoals' two golf courses. Fighting Joe, named for military commander and politician Joe Wheeler, debuted in 2004, and Schoolmaster followed the next year. Bronner opted to build the Marriott Shoals Hotel & Spa about 15 minutes away in Florence, on the other side of the river. Located by the historic Wilson Dam, it also features a restored tower that was converted into a revolving restaurant.

A trip to Muscle Shoals won't appeal to everyone, but it can be equally satisfying to those who fill their days with 36 holes or those who like to explore unique cultural offerings. This is the best golf on the Trail north of Birmingham and, in a pleasant change from other sites, the two courses sport different looks and contrasting challenges.

Florence is a college town with architectural and archaeological interest and one very good restaurant that can supplement the dining at the Marriott Hotel. Muscle Shoals is still considered a recording industry outpost, but in the 1960s and 1970s the town could rather legitimately call itself the "Hit Recording Capital of the World." The very first no. 1 hit to originate there was Percy Sledge's *When a Man Loves a Woman* (1966). Hits such as *Sweet Home Alabama*, *I Never Loved a Man (the Way that I Love You)*, *Loves Me Like a Rock*, *Sitting in Limbo*, and *Brown Sugar* are just a few of the multitude of songs that came from this quiet, distraction-free town. You can explore that musical heritage by touring recording studios. Our tour of Fame Recording Studios, which

Photo by Michael Clemmer

was founded by the legendary Rick Hall, was one of the highlights of our visit to The Shoals.

We've played The Shoals in wet and cold weather as well in the throes of summer heat and humidity. In June and July, when it is hot and humid, the tee sheets thin out. More players come in August before the fall crunch. You'll find course conditions at their peak in spring and fall.

NON-GOLF ACTIVITIES

The Shoals Hotel has an indoor-outdoor pool and a workout room. The Spa at The Shoals features four treatment rooms, one of which is a couples room, and a salon.

The best way to get a feel for Muscle Shoals' role in American music is to take a studio tour. Both Fame and Muscle Shoals Sound Studio offer tours throughout the week. The Fame tour lasts 35-45 minutes and includes Rick Hall's office, the sound booth, and the recording studio. The studio was set up for a session when we visited. Alicia Keys had just

CONTINUED ON PAGE THREE

Alabama Success Stories

Alabama 4-H: Empowering Young People to Lead

AUBURN UNIVERSITY, Ala. – With each new club year, Alabama 4-H helps thousands of young people grow and thrive as they prepare for their futures. Alabama 4-H is the largest youth development program in Alabama with more than 178,000 youth reached every year.

4-H equips Alabama young people for a well-rounded life. Not only does it help them succeed in the classroom, but it also encourages them to make a difference in their communities.

"Alabama 4-H offers young people great opportunities," said Nancy Alexander, an Alabama 4-H extension specialist. "The data speaks for itself and affirms that 4-H is for everyone!"

MAKING A DIFFERENCE

4-H impacts every Alabama county, delivering in-school, after-school and enrichment programming to 50 percent of all Alabama schools. Last year, 4-H worked directly with 729 schools reaching a total of 134,845 students. An additional 44,039 youth participated in out-of-school 4-H clubs, camps, and educational programs.

Among the programs offered by Alabama 4-H, environmental stewardship, citizenship, and leadership were the top three program interests by participation.

A total of 24,387 members were active in environmental stewardship, and a total of 21,666 members and 20,790 members were active in citizenship and leadership, respectively.

Last year:

- A total of 9,333 club officers learned and engaged in leadership development.
- 800 youth paddled 182 miles of Alabama freshwater. More than 70 youth became certified water monitors, and 2,700 youth participated in fishing activities.
- The Alabama 4-H Science School reached 22,000 students through residential outdoor environmental education, summer camp, and off-site animal outreach programs.
- 136 young people participated in the Junior Beef Expo and 81 in Livestock Weekend.
- 8,500 youth explored the world using Google Expedition Virtual Reality kits and Chromebook computers.

In addition, Alabama 4-H saw a 73 percent increase in service time with more than 8,900 volunteers contributing 175,049 hours to 4-H programs.

"It is through the hard work of our agents and volunteers in the field that we can achieve great results each year," said Dr. Molly Gregg, assistant director of Alabama 4-H.

Alabama 4-H Golden Egg Contest winner

IMPACTING FUTURES

Alabama 4-H seeks to empower youth with the skills to lead their communities, state, nation, and world.

Alabama 4-H State Ambassador President Taylor Keel said she wants the world to know what she has learned in 4-H. "Leadership, belonging, independence, and generosity. 4-H has provided me opportunities to experience these things," Keel said. "Now, I want to share what I have learned with the world."

Alabama 4-H provides youth development and education as part of the Alabama Cooperative Extension System. The Alabama 4-H Center and the Alabama 4-H Foundation support 4-H programs, staff, and travel opportunities for young people.

For more information, visit www.alabama4h.com and www.alabama4hfoundation.org. ●

The Shoals and the Marriott Shoals Hotel & Spa continued from page two

been at the keyboard the previous week.

You can gain an even greater appreciation for Alabama's contribution to the music world at the Alabama Music Hall of Fame in nearby Tuscumbia. Among the honored native sons and daughters are Nat King Cole, Hank Williams, and Tammy Wynette.

Another Tuscumbia attraction is Ivy Green, the birthplace of Helen Keller. Inside the house you'll find a display of her works, but what's most impressive is the array of tributes for the revered deaf-blind author and activist. ●

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Health Status and Healthcare for Older Alabamians

BY DR. MARK FAGAN

According to the U.S. Census Bureau, in 2017, there were 51 million people aged 65 and over, which was 15.2 percent of the U.S. population. There were 833,000 people aged 65 and older in Alabama. The estimates are that one in five residents will be over the age of 65 by 2030, and by 2035, seniors will outnumber children younger than 18. It is important to monitor the health trends in this growing population to identify priorities and take action to improve the health and well-being of these older Americans.

The World Health Organization defines health as "a state of complete physical, mental, and social well-being and not merely the absence of disease or infirmity." In addition to the contributions of our individual genetic predispositions to disease, health is the result of our behaviors, the environment and community in which we live, the public health policies and practices of our healthcare and prevention systems, and the clinical care we receive. These four aspects interact with each other to create the healthy outcomes of a long, disease-free, robust life for all individuals.

The United Health Foundation produced *The 2019 America's Health Rankings® Senior Report,* which provides a comprehensive look at the health of seniors across the nation and on each state. This report

CONTINUED ON PAGE FOUR

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- September 2-4, 9-11, 16-18, 30
- October 5-7, 13-14, 20-21, 26-28

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- October 5-7, 13-14, 20-21, 26-28

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- October 6-8, 20-22, 27-31

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- September 2, 8-9, 15-16, 22-23, 29-30
- October 6-8, 20-22, 27-31

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- October 6, 13, 20, 27

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- September 2-5, 8-10, 15, 18-19, 22, 26, 29-30
- October 1-3, 6-10, 13-17, 20-23, 27-31

Ross Bridge—RSA Spa Package—$223
- August 4-7, 11-14, 19-21, 25-28
- September 2-4, 8-9, 15, 18, 22, 29-30
- October 1-2, 6-9, 13-16, 20-23, 27-30

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- August 1, 4-7, 11-14, 18-22, 25-26
- September 2-4, 8-11, 15-19, 25, 29-30
- October 1-3, 20-23, 28-30

Auburn/Opelika Marriott—RSA Spa Package—$201
- August 1, 4-7, 11-14, 18-22, 25-26
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Health Status and Healthcare for Older Alabamians

continued from page three

strives to improve senior population health by providing a benchmark for states. This enables states to zoom in on health issues that have the largest impact on their senior population.

The health and healthcare for those aged 65 and over in Alabama was ranked nationally on 34 measures broken down into behaviors, community environment, policy, clinical care, and outcomes.

Alabama's overall ranking (composite of all 34 measures) was 44 out of 50. Alabama has 54 counties out of 67 that are rural. **Alabama ranked better than the median (25) on 11 measures:** excessive drinking, 8 (5.4%); prescription drug coverage, 8; community support, 14; health screenings, 14; diabetes management, 15; hospice care, 15; healthcare associated infection policies, 21; hospital readmissions, 22 (14.4%); home-delivered meals, 23; obesity, 23 (29%); and nursing home quality, 24.

Alabama ranked worse than the median (25) in 23 measures. These measures were dedicated healthcare provider, 26 (94.2%); flu vaccine, 27; Senior Nutrition Assistance Program, 28; low-care nursing home residents, 30 (12.5%); ICU use, 37 (14.9%); hospital deaths, 37 (22.7%); poverty, 38 (9.9%); volunteerism, 39 (25.4%); falls, 41 (32.4%); teeth extractions, 41 (18.4%); smoking, 41 (10.8%); dental visit, 42 (60.9%); geriatrician (physicians specializing in treatment of seniors) shortfall, 43 (80.4%); arthritis management, 45 (49.3%); food insecurity, 45 (19.3%); hip fractures, 45; early death, 46; able-bodied, 46 (58.9%); preventable hospitalizations, 46; frequent mental distress, 47 (9.9%); home healthcare workers, 48; physical inactivity, 48 (35.7%); and high health status, 50 (30.9%). ●

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