



The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



Investment in Alabama Means Jobs and Revenue

By David G. Bronner

One of the great lessons taught in law school is: Remember that there are two sides to every story.

I contend the RSA's Alabama investments greatly help all Alabamians by creating jobs and tax revenue, greater than any normal return. A poor state like Alabama cannot support a sound pension program unless that state grows in wealth. Thus was born an idea: *The stronger we can make Alabama, the stronger the RSA will be.*

Recent reports have stated that the RSA's 2011 returns trail most public pension funds, but there are reasons for that. While member benefits, unlike 401(k) accounts, are not at all affected by investment performance, taxpayers, which include RSA members, ARE directly affected by investment performance.

As RSA investment performance has shown for decades, the RSA investment staff performs average on common stocks and above average on fixed incomes and cash management. That only leaves the ten to twelve percent invested in Alabama. A valuation on an Alabama investment could be low initially, but the RSA believes it will be greater over the long term. While RSA's performance does not capture any of the positive effects on the tax base and jobs created, you only have to look at how surrounding businesses have prospered after an investment by the RSA in a specific area. When major corporations look at Alabama, they see that we are willing to invest in ourselves, which makes a big impact on their decision to invest in us.

When the RSA began investing in Alabama, tourism was a \$1.8 billion a year industry; today, it is \$9.8 billion per year – that is \$8 billion each and every

year more. RSA television stations provide \$30 million per year in advertising to make that happen, along with millions more from our newspapers, billboards, and movie theater companies. Either we invest in ourselves, or return to the 1950s and 1960s when little thought was given to our future.

Upon my arrival at the RSA, we had \$500 million in assets while today we have \$24 billion. At that time, the RSA had 25% funding. Today it is 71% for the Teachers' Retirement System and 67% for state employees of the Employees' Retirement System. The uninformed will say we need 100% funding, but 80% to 85% is the right level of funding because when a pension fund reaches the 100% level, there is pressure to provide members with increased benefits. In comparison, most public health insurance funds only have a tiny fraction of full funding, similar to Social Security.

During my lifetime, Alabama has been near the bottom on most everything other than university sports. The RSA has tried during the past twenty years to make Alabama something better. Without the RSA, there would be no auto industry in Alabama and no renaissance of Montgomery, Mobile, or the Shoals. In addition, the RSA has had for nearly 40 years no hint of corruption like numerous pension funds or Jefferson County.

For the critics, let us not look at the couple of pages of good or great Alabama investments, but my biggest Alabama blow-up, the railcar plant in the Shoals. Yes, the RSA spent about \$560 million on the most modern railcar plant in the world. But when the Canadian company left in the middle of the project, the

options were either to stop and lose hundreds of millions of dollars or finish the plant and see if something positive could come from the project.

The critics are correct when they say the current appraisal is \$340 million, but without the Navistar lease of the plant for 10 years the appraisal would have been at scrap value or about 10 cents on the dollar. Alabama taxpayers must realize that, per the Alabama Development Office, 10,657 direct and indirect jobs will be created when Navistar reaches 1,800 employees. Most importantly, the impact of a YEARLY estimated payroll of \$270 million will take place. In the first ten years of the lease, the payroll in the Shoals will exceed \$2.7 billion, many times our investment. The investment appraisal will improve each year as the site expands.

This means that even though the state (taxpayers) has to guarantee and "make up" the \$220 million loss, the revenue generated by the project for the state and taxpayers far exceeds that loss or under-performance. In this highly competitive world, that is how the RSA has made Alabama truly competitive for jobs over the last two decades. ■

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

Does Alabama Have Too Many Public Employees?

The PARCA Quarterly, <http://parca.samford.edu>

The most recent employment data from the U.S. Bureau of Labor Statistics (BLS) show that 1,879,800 Alabamians were carried on non-farm payrolls in May 2011. Of these, 327,400 or 17.4 percent were employed by state and local governmental entities of various kinds. We can develop more detailed estimates of where these public employees work by combining the BLS data on total employment with the most recent Census Bureau data on public employment.

What we traditionally call “state and local government” includes about 121,700 employees, or 6.5 percent of total employment in the state. This includes agencies of the state as well as city and county government. About two-thirds of these are local employees, and one-third are state employees.

The big majority of public employees (about 63 percent of the total) work in agencies that provide education and health services rather than state and local governance – public hospitals (42,100), higher education (59,600), and K-12 schools (104,000). As mentioned above, significant numbers of the hospital and higher education employees are supported by user charges, which suggest that the gross employment numbers should be discounted if we are trying to measure the burden imposed on taxpayers.

Do public employees earn too much money? Studies that divide total payrolls by total employees, without further adjustments, generally find higher average compensation levels for state and local public employees as compared with private employees within a given state. However, certain adjustments seem obvious in order to create an “apples-to-apples” comparison of compensation in the two sectors. Two major adjustments would be:

1. Public employees are much better educated on average. The Census Bureau’s 2008 Current Population Survey showed that 11 percent of private-sector employees were high-school dropouts, compared to 2 to 3 percent of state and local government employees, respectively; 28 percent of private-sector employees had college degrees, versus 56 and 53 percent of state and local employees, respectively. Most government jobs require higher levels of education or certifications. These include teachers, college professors, nurses, police, and social workers, for example. Since educational attainment is a key determinant of compensation, it makes sense to adjust for it.
2. Fringe benefits are a bigger share of public-sector compensation than they are for private-sector employees. The value of these benefits is harder to quantify, for various reasons, and few studies take them into account. Still, a balanced comparison should include both salaries and benefits.

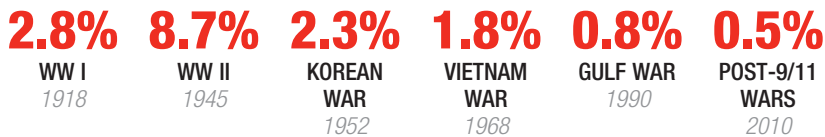
Salary studies that adjust for educational attainment, age, and related factors tend to show that public-sector salaries actually trail those in the private sector. However, two recent studies that included fringe benefits found that the public-sector advantage in benefits offset much of the private-sector advantage in wages. While we are aware of no comprehensive study for Alabama, these results suggest that one ought to be cautious before accepting claims of big advantages one way or the other on this issue. ■

THE FEW, THE PROUD

The military community has been drifting away from mainstream American society

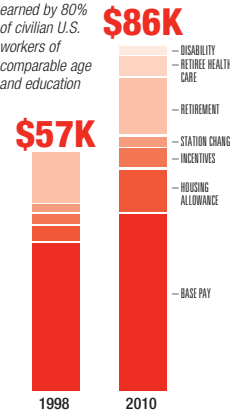
A smaller slice

Proportion of total U.S. population in the armed forces



SALARY AND BENEFITS

Total military compensation today is higher than that earned by 80% of civilian U.S. workers of comparable age and education



ALL IN THE FAMILY

6.7%

PERCENTAGE OF SERVICE MEMBERS MARRIED TO ANOTHER SERVICE MEMBER

UNFIT YOUTH

MOST POTENTIAL RECRUITS ARE UNAVAILABLE BECAUSE OF COLLEGE, HEALTH, CRIMINAL RECORD OR OTHER REASONS



Sources: Department of Defense; Pew Research Center, Bureau of Labor Statistics, Congressional Research Service; *The Tenth Quadrennial Review of Military Compensation*

TAX COLLECTIONS AROUND THE NATION

States that got the most and least in combined state and local taxes collected per state resident in the 2009 fiscal year

Source: A Birmingham News analysis using U.S. Census Bureau reports on state populations and on tax collections by state and local governments in the 2009 fiscal year, the latest available.

| RANK | STATE | TAXES COLLECTED | RANK | STATE | TAXES COLLECTED | RANK | STATE | TAXES COLLECTED |
|------|---------------|-----------------|------------------------|----------|-----------------|-----------|----------------|-----------------|
| 1 | ALASKA | \$8,953 | 8 | HAWAII | \$4,697 | 44 | UTAH | \$3,158 |
| 2 | WYOMING | \$7,176 | 9 | MARYLAND | \$4,676 | 45 | SOUTH DAKOTA | \$3,138 |
| 3 | NEW YORK | \$6,992 | 10 | VERMONT | \$4,641 | 46 | MISSISSIPPI | \$3,033 |
| 4 | CONNECTICUT | \$5,901 | 50-STATE MEDIAN | | \$3,799 | 47 | IDAHO | \$2,884 |
| 5 | NEW JERSEY | \$5,792 | 41 | ARIZONA | \$3,230 | 48 | SOUTH CAROLINA | \$2,829 |
| 6 | MASSACHUSETTS | \$4,929 | 42 | MISSOURI | \$3,209 | 49 | TENNESSEE | \$2,819 |
| 7 | NORTH DAKOTA | \$4,927 | 43 | KENTUCKY | \$3,194 | 50 | ALABAMA | \$2,793 |

Alabama Golf's Economic Impact

Source: SRI International

Home to 252 golf facilities, including the eleven sites that comprise the Robert Trent Jones Golf Trail, and playing host to two LPGA Tour events and a Champions Tour event in 2010, golf is more than a recreational pastime in the "Heart of Dixie." Golf is a key industry contributing to the vitality of Alabama's economy.

In 2010, the size of Alabama's direct golf economy was approximately \$808.1 million. This is comparable to revenues generated by key industries in the state, such as the production of resin, rubber and artificial fibers (\$2.5 billion), aerospace products and parts (\$1.3 billion), and crops (\$818.7 million).

Golf brings visitors to the state, spurs new



residential construction, generates retail sales, and creates demand for a myriad of goods and services. In 2010, Alabama's golf industry generated a total economic impact of \$1.5 billion, supporting 21,221 jobs with \$458.8 million of wage income.

The continued health and growth of the golf industry has a direct bearing on future jobs, commerce, economic development, and tax revenues for a large number of Alabama's communities and industries.

The full November 2011 version of the Alabama Golf Economy Report is available at: www.golf2020.com/economicresearch.aspx. ■

Companies to Pass On More Of Health Costs to Workers

By Bruce Japsen, *New York Times*

Companies next year will push more health care costs onto their workers, who may see an increase of nearly 11 percent in what they have deducted from their paychecks for health insurance, according to a new annual study by Aon Hewitt, a large Chicago benefits consultancy.

As companies struggle to control costs in a tough economy, the 2012 annual employee premiums are expected to jump on average 10.6 percent, to \$2,306. That figure has doubled since 2005, when workers at larger companies paid on average \$1,192 annually per employee and paid about 17 percent of the company's costs, according to Aon Hewitt data.

The employee share projected for next year is a contribution of 22 percent of the \$10,475 employer cost of the health plan. This year, workers are paying 21.3 percent of the total cost, or \$2,084 of the \$9,792 total company-paid premium.

"The reality is that employers, particularly in this economy, are doing everything they can to get net company cost levels that they can budget for and afford," said Jim Winkler, a managing principal with Aon Hewitt, a unit of Aon Corp. "Employers are shifting costs to

employees to be able to afford to offer benefits."

The per-employee cost figures are the company-paid premiums of the average worker. A single worker with no dependents or a spouse might pay less. A worker with dependents might pay more. Less than a week ago, the Kaiser Family Foundation released its annual survey of big and small employers, showing a 9 percent increase in 2011 premiums for employer-sponsored insurance.

The survey comes at the peak of so-called open enrollment season, which generally runs through mid-November, when companies disclose to workers their benefit options for the following year. Obama administration officials have asserted that the new federal health care law will help to contain costs in coming years. And other studies, like a preliminary one by Mercer, have shown a more moderate increase – around 5 to 7 percent – expected for next year.

Analysts attribute health care cost increases to employment trends that have left young adults unemployed at nearly double the rate of older Americans. That means fewer healthier workers are paying premiums while not using medical care services as much as older workers.

When workers do use the system,

they are going to pay more out of pocket as well. Employers, who continue to create benefit plans with higher deductibles and copayments, are leaving workers with out-of-pocket costs that are projected to jump 13 percent to \$2,275 in 2012, from \$2,007 this year.

Aon Hewitt's data comes from a database of about 350 large American employers that spend more than \$52 billion annually on health care benefits for some 14.4 million employees and their dependents. The database includes large and midsize employers with more than 1,000 workers and in some cases, hundreds of thousands of workers.

Companies say they are trying to reward employees for healthier lifestyles in hopes of tempering the rise in health care costs, but they aren't there yet.

Employers need to provide stronger incentives for workers to use primary medical care and preventive health care services.

"I don't think employers are doing their jobs," Mr. Webber added. "We should be getting aggressive. They need to sign up to fill out the health risk assessment and if you are chronically ill, you will have to automatically enroll in a disease management program." ■

ENJOY YOUR WINTER
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$99**

- January 1-3, 11-17, 29-31
- February 1-2, 6-9, 12-14, 22-28
- March 4-11, 18-19, 25-31

The Renaissance Riverview Plaza – Mobile – \$89

- January 1-3, 9-16, 20, 29-31
- February 5-6, 22-23, 26-28 • March 3-14, 18, 25-28

Marriott Grand – \$99 plus a 15% resort fee

- January 1-16, 20-31
- February 1-2, 5-6, 11-12, 19-29 • March 1, 4-7, 18-22

Marriott Grand – RSA Golf Package – \$169

Ask for code – LOCD
Includes: Deluxe Room, One Round of Golf for Two People.
Call for Tee Times after booking package

- January 1-16, 20-31
- February 1-2, 5-6, 11-12, 19-29 • March 1, 4-7, 18-22

Marriott Shoals – Florence – \$89

- January 1-12, 15-19, 22-26, 28 • February 4-9, 15-28
- March 4-8, 11-14, 18-21, 27-29

Renaissance Ross Bridge – Hoover – \$99

- January 1-10, 15-18, 29-31
- February 1-2, 5-9, 12-16, 19-20, 28
- March 1-3, 11-13, 20-22, 25-29

Opelika Marriott – \$89

- January 1-9, 11-31 • February 1-4, 8-29
- March 1, 9-11, 18-28, 30-31

Prattville Marriott – \$89

- January 1-3, 6-9, 12, 14-16, 21-23, 27-29
- February 3-4, 11-14, 16-21, 26-27
- March 2-4, 8-20, 30-31

Renaissance Montgomery – \$99

- January 1-5, 7-8, 12, 15, 22-23, 29
- February 2, 5, 17, 19-20
- March 5, 15, 18, 22-24

RSA Spa Package – \$159

Ask for code – LOCD Includes Deluxe Room
• January 3-5, 12 • February 2 • March 15, 22

*Rates available the 1st of the month
and are not applicable to groups.*

Code: RABM, 800-228-9290

Internet promo code: R2A on marriott.com

Book Online and Save RSA \$4.

TRS Board of Control Election Results

Congratulations to Charlene McCoy on her election to the Teacher Position No. 3 on the TRS Board of Control. Ms. McCoy has been employed in public education for 22 years. She presently serves as a 7th grade science teacher in the Etowah County School System and will begin a three-year term on July 1, 2012.

Did You Know?

Source: Children First Foundation of Alabama

Did you know? Even the slight increase in cigarette pack price between 2005 and 2007 corresponds with a decline in youth smoking rates. (Source: The Tax Burden on Tobacco, 2009; CDC, Youth Behavioral Risk Surveillance System 2009; U.S. Bureau of Labor Statistics)

The Debate is over: The scientific evidence is now indisputable. Secondhand smoke is not a mere annoyance. It is a serious health hazard that can lead to disease and premature death in children and non-smoking adults. (Julius B. Richmond Center of Excellence)

Did you know? During 2000-2004 the CDC reports: Cigarette smoking and exposure to tobacco smoke resulted in approximately 443,000 premature deaths, \$97 billion in productivity losses, and \$96 billion in health care costs annually.

Did you know? Secondhand smoke stays in a room for a long time after someone smokes there. It settles on surfaces in the room. This smoke can be digested by children, making them sick with ear infections, bronchitis, asthma, pneumonia and Sudden Infant Death Syndrome. The smoke can be inhaled or ingested through putting items in their mouth.



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