The ADVISOR
TEACHERS, EMPLOYEES, and JUDICIAL

Vol. XLIV—No. 3 SERVING OVER 350,000 MEMBERS September 2018

The Wall Street Journal – 'Said' Why Your Pension Is Doomed

Pension costs are soaring across the country, and government unions blame politicians for "under-funding" benefits. Lo, if only taxes were higher, state budgets would be peachy. The real problem, as a new study shows, is that politicians have promised over-generous benefits.

In a novel analysis, the Illinois-based policy outfit Wirepoints compared the growth of state pension liabilities relative to state GDP and fund assets. Most studies have examined "unfunded" pension liabilities, which is the difference between current assets and the present value of owed benefits. But this obfuscates the excessive pension promises that politicians have made.

According to the study, accrued liabilities—how much states are on the hook for—between 2003 and 2016 grew more than 50% faster than the economies in 28 states and more than twice as fast as GDP in 12 states. Leading the list are the usual suspects of New Jersey (4.3 times faster than GDP), Illinois (3.23) and Connecticut (3.18), as well as New Hampshire (3.46) and Kentucky (3.08).

Between 2003 and 2016, New Jersey's pension liability ballooned 176%. Unions blame lawmakers for not socking away more money years ago, though lower pension payments helped them bargain for higher pay. The reality is that New Jersey's pension funds would be broke even had politicians squirrelled away billions more.

Ditto for Illinois, where the pension liability has grown by 8.8% annually over the last 30 years. Yet when the Illinois Supreme Court in 2015 blocked state pension reforms, the judges rebuked politicians for inadequately funding pensions. The solution, according to unions, is always to raise taxes. But no tax hike is ever enough because benefits keep growing faster than revenues.

New Jersey recently raised corporate and income taxes on high earners, but the state would need to spend billions more on pensions each year to adequately finance promised benefits. Illinois's Democratic Legislature last year overrode GOP Gov. Bruce Rauner's veto of a corporate and income tax hike. Yet the Democratic candidate for Governor, J.B. Pritzker, and unions are now campaigning to kill the state's flat tax rate and raise taxes again.

Stanford University lecturer David Crane has calculated that every additional penny that California schools have received from the state's 2012 "millionaire's tax," which raised the top individual rate to 13.3% from 10.3%, has gone toward retirement benefits. The only salve to state pension woes, as the Wirepoints study notes, is to rein in current worker benefits. ●

'I Say' – Only If

BY DAVID G. BRONNER

If you do nothing, the bleak picture stated by *The Wall Street Journal* **WILL** take place.

Elections are only a few months away, and most of us will be up to our eyeballs with political commercials and robocalls. Naturally, we feel relieved when the election season is over, but if you elect candidates who want to do away with the RSA's current program, you will do great harm to yourself and your coworkers. And if you do choose not to vote, you deserve what you get.

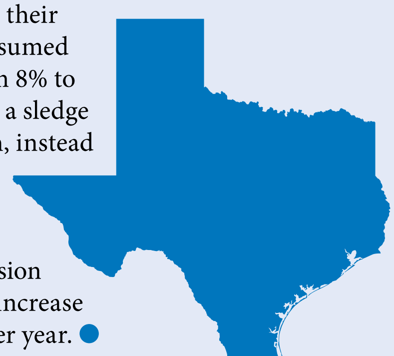
Too many of us question after the fact – "What happened?" Being in your own little world will cost you dearly. Get informed before you vote. Ask every politician on your ballot where they stand regarding your pension program. If they ignore you, ignore them.

The Koch brothers, Arnold Foundation, and PEW have literally hundreds of universities and think tanks on their payrolls. They are doing their best to wipe out public pension funds. But you can make the difference in this fight, and this fight is about your pension benefits. So get active and make sure our elected officials support the RSA in the future like they have in the past.

Alabama does not have the problems of states such as Illinois, New Jersey, or Kentucky, but **"If you snooze, you lose!"** ●

Clearly an Overreaction

The Board of the Teacher Retirement System of Texas lowered their investment assumed rate of return from 8% to 7.25%. They chose a sledge hammer approach, instead of phasing it in over a few years. Result: the state's annual pension contribution will increase by $790 million per year. ●



GOLFCHANNEL FEATURES RTJ WORLDWIDE

Robert Trent Jones Golf Trail
Alabama

- Largest golf course construction project in history
- 100 Miles of courses with each course ranging from 4,500 to 8,191 YDS
- 11 Stops within a 2-hour drive of the Trail course closest to it
- **12 Million rounds over the past 26 years (1st course opened in 1992)**
- Green fees average $80 per round during peak season

Golfchannel.com: The State of Golf in Alabama https://vimeo.com/282569184

The 13 minute video can also be viewed on the RSA webpage at www.rsa-al.gov

The Money Alabama is Leaving Behind

BY PHILLIP TUTOR, *ANNISTON STAR*

I wonder what Alabama would do with an extra $2.5 billion.

Public education is our eternal hardship, so start there, right? Alabama could pay teachers what they're worth. It could increase higher-ed funding and lessen students' tuition burden. And it could ramp-up per-pupil spending for K-12 so schools in Wilcox County can better compete with those in Mountain Brook.

Our prisons are overcrowded, underfunded, and dangerous. It could fix that nightmare before calamity arrives. How about healthcare? Yes, please. Alabama at least could boost Medicaid, in turn helping thousands of poor Alabamians, and combat the dearth of hospitals and clinics in the state's rural counties.

Alabama has too few troopers for the interstates and too few crime labs for law enforcement, and too many programs for the elderly, the poor and those at risk that have been reduced. Do something about it. And it could finally stop taxing groceries, since the state Legislature hasn't grown a spine.

If only Alabama had an extra $2.5 billion. If only Alabama resembled Mississippi.

That's a sad truth. The poor state to our west, the one we habitually believe is beneath us, from football on down, ranks 41st nationally in per-capita taxes ($3,649), which sits in the nation's bottom 10. But Alabama ranks 50th, dead last ($3,144).

No state taxes its residents less than Alabama. Louisiana taxes its residents more than Alabama. Kentucky taxes its residents more than Alabama. Arkansas taxes its residents more than Alabama. Each state in the vaunted Southeastern Conference's footprint, to keep with the football-themed comparison, taxes its residents more than Alabama, whose upside-down, regressive tax system rewards those on the top and overwhelms those on the lower end with high sales taxes. Alabama must object to fairness.

And yet, if Alabamians had the same annual tax obligation as Mississippians, the state would have an extra $2.5 billion — which is more than the state's General Fund budget. (If it matched the median state per-capita rate, that figure would balloon to $6 billion. How's that for a mic drop?) Listen to the wisdom of Joe Sumners, executive director of the Government and Economic Development Institute at Auburn University, who points out that the combined state and local property

CONTINUED ON PAGE THREE

The Money Alabama is Leaving Behind CONTINUED FROM PAGE TWO

taxes for the average state are almost three times those in Alabama.

"Those who oppose needed investment argue that we are a poor state and cannot afford it," Sumners writes in "Alabama Issues 2018," his institute's annual publication. "Of course, one may wonder whether our state would be more prosperous if previous state leaders had made greater investments in Alabama's people and physical infrastructure. . . ."

"The state of Alabama, sadly, tends not to follow the example of its two successful major college football programs. We consistently set our sights too low," Sumners writes. "Alabamians who hear about our dismal rankings on comparative measures of economic health and educational performance are rarely surprised. We have become accustomed to mediocrity, or worse; indeed, it is all we have ever known."

This is Alabama's paradox. Its poor are taxed too much, its well-to-do are taxed too little, its electorate will stand for no tax increases, its politicians recoil from tax discussions, yet the data are clear. Alabama's recurring ailments — school funding, prison reforms, medical care, workforce training — would benefit from modest and fair increases, particularly on the upper crust. If only, for once, we were like Mississippi. ●

Alabama Now Has More Retirees Moving In Than Moving Out

BY MARK FAGAN

Some 720,000 Americans a year are moving to new towns for retirement. Alabama ranked 8th for net-migration (in-migration minus out-migration) for age 60 and older per year from 2011-2015 with 11,316 moving in and 7,644 moving out for a total of 3,672 per year. This means more retirees are bringing their economic assets to Alabama than are leaving the state with them. Bringing more retiree assets into Alabama and having less leave the state is positive for the economy in Alabama.

There were only 17 states that had more retirees move in than out each year from 2011-2015. Alabama ranked 29th (7,644) for the number of retirees moving out of the state for those years. Alabama is increasingly seen as a good state for retirement as more retirees are moving in and fewer are moving out.

Florida ranked first for people coming in (118,982) but also ranked first for the highest number leaving the state (61,590) per year from 2011-2015. Florida remains a popular state for bringing in older people, but there are also large numbers of older people leaving the state.

There were 33 states that had more retirees leave their state than they had retirees move into their states per year from 2011-2015. New York, Illinois, New Jersey, Pennsylvania, California, Michigan, Ohio, Massachusetts, Connecticut, and Alaska had the most retirees leaving their state than coming into their state during those years.

The information is based on US Census data presented in an article by Don Bradley for *Where to Retire* magazine for January/February 2018.

Alabama had an average of 966,676 people age 60 and older per year from 2011-2015. This was 20 percent of the state average population for those years (4,794,465). A total of 1.2% of this age group moved into Alabama from another state and a total of 0.80% left Alabama for another state.

In 2016, the RSA's 350,000 active and retired members made up 7.3% of Alabama's population (4,841,164). These members (137,706 retired members plus the percentage of 125,000 active members age 60 and over) compose a large group of the 60 and over population in Alabama. The approximately 260,000 members of the RSA age 60 and over compose 25% of the 60 and over population in Alabama. ●

Top Ten States for Net-Migration People Age 60 and Older per Year for 2011-2015

Rank	State	In-Migration	Out-Migration	Net-Migration
1	Florida	118,982	61,590	**57,392**
2	Arizona	45,085	24,594	**20,491**
3	South Carolina	20,750	10,944	**9,806**
4	North Carolina	28,861	20,273	**8,588**
5	Nevada	17,939	12,630	**5,309**
6	Georgia	24,360	19,098	**5,262**
7	Texas	40,071	34,968	**5,103**
8	**Alabama**	**11,316**	**7,644**	**3,672**
9	Oregon	15,384	12,295	**3,089**
10	Delaware	4,685	2,237	**2,448**

Top Ten States for Out-Migration Age 60 and Older per Year for 2011-2015

Rank	State	Out-Migration
1	Florida	61,590
2	California	54,807
3	New York	46,835
4	Texas	34,968
5	Illinois	28,353
6	Pennsylvania	28,317
7	Arizona	24,594
8	New Jersey	24,475
9	Ohio	23,715
10	Michigan	22,871

Bottom Ten States for Net-Migration Age 60 and Older per Year for 2011-2015

Rank	State	Net-Migration
50	New York	-29,647
49	Illinois	-13,800
48	New Jersey	-10,934
47	Pennsylvania	-9,214
46	California	-7,937
45	Michigan	-7,835
44	Ohio	-7,435
43	Massachusetts	-5,216
42	Connecticut	-4,684
41	Alaska	-4,067

Start Planning Your Fall Getaways at RSA's Outstanding Hotels, Spas, and RTJ Golf

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

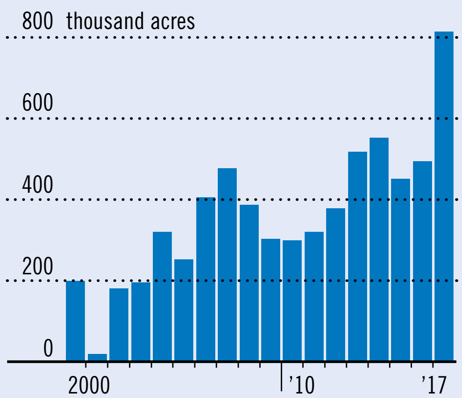
follow us on twitter
@rsaalgov

Member Hotel Discounts Webpage

Afghanistan Produces 85% of Worlds Illegal Opium

Funding Source

Opium cultivation, which provides about 60% of the Taliban's revenue, reached record levels in Afghanistan last year.

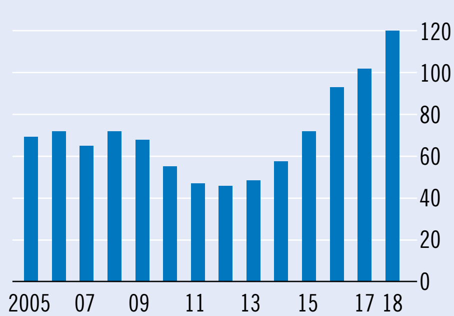


Source: U.N. Office on Drugs and Crime

U.S. Consumer Debt

Higher purchase

United States, unsecured personal-loan balances outstanding, first quarters, $billions



Source: TransUnion

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
Christopher C. Gallup

Information Technology Services
Michael T. Baker

Investments
R. Marc Green

General Counsel
Leura G. Canary

Legislative Counsel
Neah M. Scott

Member Services
Penny K. Wilson

PEEHIP
Donna M. Joyner

RSA-1
Rhonda H. Peters

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