

## Troy University's Johnson Center A Poor Steward of the Truth

BY DAVID G. BRONNER

**A** lie gets halfway around the world before the truth has a chance to get its pants on." – Winston Churchill

On July 29, AL.com published a guest opinion editorial written by Daniel J. Smith, an associate professor of economics at the Johnson Center at Troy University criticizing the Retirement Systems of Alabama (RSA) as a "poor steward" of retirement resources. The article is scandalously inaccurate and comes from an institution which is partially funded by an organization that seeks to abolish public pensions. The Johnson Center has a history of publishing debunked "studies" that are widely known to contain false claims, such as asserting that RSA is running out of money.

The Johnson Center and Professor Smith's continued reckless perpetuation of these falsehoods only serves to confuse people and make hundreds of thousands of RSA members and their families feel uncertain about their financial security. That is wrong and we have a duty at RSA to make sure that the public and our members know the truth. Here are a few examples of the most egregious of these misrepresentations and the facts that disprove them:

**Johnson Center:** RSA is not solvent and retirees' benefits will be reduced.

**Truth:** Between 2009 and now, RSA has paid out about **\$15 billion** in benefits to its members and **increased its assets by 46%** to approximately **\$35 billion**. Thus, today RSA has **\$11 billion** more in assets after meeting all of its obligations than it did in 2009. RSA is **NOT** running out of money and there is **NO CHANCE** that retirees' benefits will be reduced.

**Johnson Center:** RSA makes risky investments and falsely "self-report[s]" that it is financially sound.

**Truth:** Consistent with best practices, RSA invests its members' assets in a diversified portfolio that is allocated among stocks, bonds, real estate and private placements. RSA's overall investment returns have averaged almost **11 percent** for each of the last five years and are calculated by an independent third party custodian – not RSA. RSA's investment returns have been ranked in the **top 13%** of all major public pensions for the last three years and in the **top 25%** over the last five years.

**Johnson Center:** RSA plays "fast and loose" with members' money when it invests in private companies.

**Truth: About 80% of RSA's investments are in publicly traded stocks and bonds.** Private placements, which include investments in privately held businesses, comprise only about 10% of RSA's overall portfolio. In the fiscal year ending September 30, 2014, private placements earned approximately **13.5%**. There is no investor who always picks profitable investments, but RSA has a proven record of picking more winners than losers. By the way, Warren Buffett thinks this is a good investment strategy; he's purchased 100% ownership stakes in over 50 companies.

**Johnson Center:** RSA uses "questionable accounting practices."

**Truth:** RSA's holdings are audited annually by an independent Certified Public Accounting firm to ensure that RSA's accounting practices comply with all applicable accounting standards, including those of the Governmental

Accounting Standards Board (GASB). RSA is also audited periodically by the Alabama Department of Examiners of Public Accounts. RSA has never been found to have engaged in any dubious accounting practices.

**Johnson Center:** RSA is underfunded because of its bad practices.

**Truth:** RSA has an unfunded liability, but no more than the average public pension fund and not at a level which poses a threat to the sustainability of the system. The causes of RSA's underfunding are the financial collapse of 2008 and numerous expensive unfunded cost-of-living increases passed by the legislature. RSA's situation is like a homeowner who doesn't have all the cash in the bank to pay off his mortgage, but instead pays it off over time. RSA has implemented a plan, which is already working, to pay off its unfunded liability.

The RSA takes its fiduciary responsibility of paying lifetime benefits for its members and the many generations of future members very seriously. The RSA has modified its policies and worked with the legislature to make changes that have made the retirement system more sustainable. The RSA's investments in Alabama and the benefits it pays to its members help support Alabama's economy and its citizens while earning average annual returns of 8% over the last 25 years. Rather than perpetuate misinformation about RSA, the Johnson Center and Professor Smith should concentrate on creative writing, since they are so talented at creating fiction. ●



# “The Good Days of High Taxes”

BY JOSH MOON, MONTGOMERY ADVERTISER

As the top 1 percent in this country continue to grow their wealth and separate from the rest of the country at alarming rates, boosting their taxes even a tiny fraction of that growth is out of the question.

President Obama was called a socialist and accused of class warfare for even suggesting that the top earners pay more, and he wanted only to re-raise the tax rates three percentage points to Clinton-era levels of 38 percent.

What Obama should have done is proposed setting tax rates at “Golden Era” levels. You know the Golden Era, right? That post-World War II era conservatives love to reminisce about – a time when everyone loved America, we were all happy and the middle class was thriving.

What no one mentions, however, is that the majority of America back then shared Obama’s feelings about wealth – sometimes, you can have enough.

That’s why we implemented a top marginal tax rate at or above 70 percent for four decades. That 40-year span included the presidencies of noted liberals Dwight Eisenhower, Richard Nixon and Gerald Ford.

This was not a post-WWII rate, either. That top rate was above 90 percent for two decades. You read that correctly. In 1963, if you made over \$200,000 as an individual or \$400,000 as a couple, you paid a tax rate of 91 percent. And this was before so many Americans were making the majority of their money through investments and stocks and paying shockingly low taxes.

In Alabama, believe it or not, our tax structure also wasn’t always so upside-down. When implemented in the 1930s, according to the “Alabama Tax and Budget Handbook” produced by the Arise Citizens’ Policy Project, our income tax setup was one of the most progressive in the nation and basically taxed only the top 1 percent of earners.

But today, because that tax structure is mostly unchanged and because huge tax breaks have been implemented for top earners, Alabama’s tax structure is the most regressive in the nation.

And we continually lack the minimum funds to run this place. Seriously, go back through old newspaper stories sometime and see how often this state faces a “critical budget shortfall.”

Which brings us back to this year and this “critical budget shortfall” and the options on the table.

There is only one real solution: fix the tax structure.

The most important principle of any elected official should be doing what’s in the best interest of that person’s constituency.

Packing prisons with the mentally ill is not in the people’s best interest. Neither is cutting the already underfunded system that monitors and cares for abused children and women. Neither is failing to address a prison system that’s in shambles.

To solve this state’s problems, there is only one solution. Raise. The. Taxes. ●

## Visit RSA’s Outstanding Hotels, Spas, and RTJ Golf

## The Joint Committee on Alabama Public Pensions

BY NEAH L. MITCHELL

On August 18, 2015, the Joint Committee on Alabama Public Pensions met for the first time. At the meeting, representatives from the Pew Charitable Trusts presented information and research compiled by Pew regarding public pensions and retiree healthcare. Specifically, the Pew representatives discussed various alternative retirement plans that have been implemented by other public retirement systems, including hybrid plans and cash balance plans. The Pew representatives did not make any recommendations regarding changes to RSA’s retirement plans at the meeting. They indicated that they would need additional time to study RSA’s retirement plans before they would do so. At the next meeting (for which a date has not been set), RSA staff will have the opportunity to present to the Committee.

### Medicaid Helps Alabama's Kids, Seniors, People with Disabilities, and Families.

**1,062,400**

Alabamians get quality health coverage through Medicaid.

Most are children, seniors, and people with disabilities.



**540,600** of Alabama’s children get health care through Medicaid.

That’s **1 of 2** kids in our state who can see a doctor when they are sick, and get the vaccinations and screenings they need to stay healthy, thanks to Medicaid.

Medicaid helps **31,500** of Alabama’s babies get a healthy start in life each year.

**118,000** of Alabama’s seniors get health care through Medicaid, including nursing home care and services that help them live at home.

Medicaid provides **221,600** people with disabilities in Alabama access to critical care that helps them live independently.



That’s **53%** of births in our state.



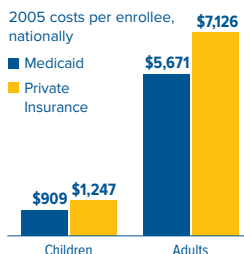
That’s **18%** of seniors in our state.



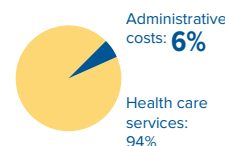
That’s **29%** of people with disabilities in our state.

#### Medicaid Is Efficient.

Medicaid costs less than private insurance.

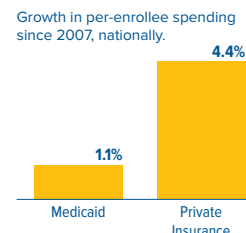


Medicaid’s administrative costs are low.



Nationally, Medicaid’s administrative costs are less than half the administrative costs of private insurers.

Medicaid spending has grown more slowly than private insurance.



Source: Center on Budget and Policy Priorities

# Fall Is The Perfect Getaway Time 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

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



Member Hotel  
Discounts Webpage

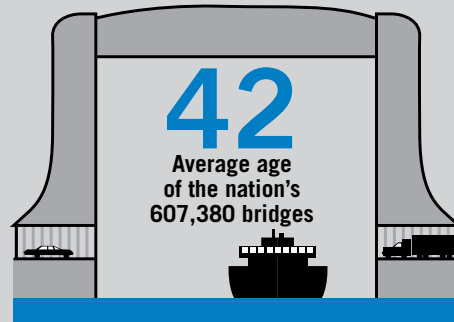
ENJOY YOUR FALL  
A Special Deal  
FOR RSA MEMBERS

- The Battle House,  
A Renaissance Hotel – Mobile – \$109**  
• September 1-3, 8, 11-12, 15-20, 25-27  
• October 1, 8-31 • November 1-9, 13-16, 18-25, 29
- The Renaissance Riverview Plaza – Mobile – \$99**  
• September 3, 8-30 • October 1, 4-12, 16-20, 25-31  
• November 1-2, 6-8, 12, 15-17, 21-24, 28-30
- Marriott Grand – \$109** plus a 15% resort fee  
• September 2-3, 7-9, 20, 27-28  
• October 4-8, 11-13, 18, 25  
• November 3-5, 8-12, 15-19, 24, 29-30
- 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  
• September 2-3, 7-9, 20, 27-28  
• October 4-8, 11-13, 18, 25  
• November 3-5, 8-12, 15-19, 24, 29-30
- Marriott Shoals – Florence – \$99;  
Breakfast Package \$124**  
• September 7, 13, 20, 27-28  
• October 4-5, 8, 18, 22, 25-26  
• November 8-9, 15-16, 19, 22-26
- Renaissance Ross Bridge – Hoover – \$109**  
• September 2-3, 6-17, 20, 26-28  
• October 2-5, 7-8, 11, 18-19, 22, 25-26, 31  
• November 1-2, 8-16, 18-19, 22-30
- Opelika Marriott – \$99**  
• September 1-7, 13-14, 18-23, 27  
• October 4-5, 9-11, 15, 28, 31  
• November 1-3, 9-11, 15-17, 19-25
- Prattville Marriott – \$89**  
• September 1, 4-7, 10, 12, 18-22, 27-30  
• October 1-5, 11-13, 18, 28, 31  
• November 5, 7-12, 14-16, 19-25
- Renaissance Montgomery – \$109**  
• September 1-2, 6-7, 12-13, 27-29  
• October 3, 11-15, 23-26, 29, 31  
• November 1-3, 9-12, 14-15, 21-25  
RSA Spa Package – \$189 – Promotional code – R2A  
• September 1-2, 12, 29  
• October 3, 11-15, 23-24, 29, 31  
• November 3, 9-12, 14, 22-25

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](http://www.rsa-al.gov)  
**Book Online and Save RSA \$4.**

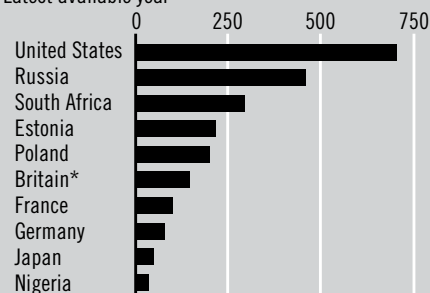
## Middle-aged Bridges



Source: American Society of Civil Engineers  
Terry Byrne and Paul Trap, *USA Today*

## A World Behind Bars

Incarceration rate per 100,000 population  
Latest available year



Sources: International Centre for  
Prison Studies; US Bureau of Justice

\*England and Wales



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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:  
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