



## 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. ●

# Americans are woefully unprepared for retirement

BY SUZANNE MCGEE | THE GUARDIAN

**A**re we all in denial or is it simply impossible to save enough for retirement? Is it some kind of toxic combination of the two? Whatever the reason, yet another study – this one from no less an authority than the non-partisan US government accountability office (GAO) – is here to remind us that we’re woefully unprepared, financially speaking, for retirement. While we may all have dreams about how we’d like to spend our retirement years – fishing, golfing, writing that great American novel – the truth is that as many as half of all households with Americans 55 and older have no retirement savings at all. Nothing. Zip. Nada. Not a dime.

And the news gets worse, the GAO reports. Because households headed by older Americans that don’t have retirement savings like 401(k) plans or IRA accounts also are less likely to have other sources of income that they can rely on when they retire, such as pensions or even plain old savings accounts. About 29% have absolutely nothing: no pension plan, no savings, no 401(k), nothing.

The figures are worse the lower down

the socio-economic ladder you go, says Diane Oakley, executive director of the National Institute on Retirement Security. “The results are tilted in favor of the wealthiest Americans, so the bottom half of the baby boomers, by wealth level, had only 4% of the retirement assets,” she says. “The wealthiest 10% had 56% of the retirement assets.” The same is true when you look at minority groups, she adds: only 20% of Latinos have retirement accounts containing more than \$10,000; 75% of African-Americans are in the bottom quartile when it comes to retirement assets.

If you think you’ve heard this news before, you’re probably correct. Survey after survey has shown how Americans fail miserably at retirement planning. The average 401(k) plan balance hit an all-time record of \$91,800 in the first quarter of this year and some long-time savers had balances of as much as \$251,600, according to calculations by Fidelity, which manages the single largest chunk of the country’s retirement plan assets.

That sounds impressive, right? Until you realize that many financial advisors

recommend that you have as much as 12 times your income in your final years of employment socked away in your retirement nest egg at the time you retire, if you want to maintain your lifestyle.


...But if you think it looks grim right now, just wait. “We are going to see worse numbers in the future,” says Bailey Childers, executive director of the National Public Pension Coalition in Washington D.C. The problem, she argues, is that even for those who have them, “401(k) plans have not worked.”

These defined contribution plans definitely are better for the bottom lines of private sector employers. Companies don’t have to worry about managing big pension obligations, and have been able to make their employees responsible for saving for their own retirement, offering them the vehicles in which to do so.


“But pension fund assets are pooled together and tend to generate much higher returns than 401(k) funds, with lower fees,” says Childers. That big question of costs and benefits is the reason that the state of West Virginia ended up returning to a classic pension (aka “defined benefit”) model for its public sector employees, after a long and rather disastrous experiment trying out the 401(k) (aka “defined contribution”) approach from 1991 until the financial crisis of 2008.

...Under-prepared baby boomers on the verge of retirement, too, are blind to certain uncomfortable truths. A report on the economic wellbeing of US households by the Board of Governors of the Federal Reserve System, published last month, revealed that 26% of those surveyed declared their retirement “plan” was to simply keep working; 12% didn’t plan to ever stop working; another 45% who did plan to retire intended to work to some extent to fill the financial gaps between their savings and their financial needs. In other words, only 17% didn’t plan to work after retiring. Unsurprisingly, the lower their savings totals, the more likely they were to say that they intended to keep working – clearly assuming that they’ll stay in good health into their 90s, and that the jobs will remain available.

“The bottom line, however, is that we can’t all be Walmart greeters,” says Oakley. ●







## Medicaid in Alabama



**Medicaid** is a state and federal program that provides health insurance for low income children, pregnant women, the elderly, and the disabled. Patients do not receive a direct cash benefit. Instead, Medicaid is a form of health insurance.

**Alabama has the 3rd lowest cost per enrollee in the country**

Who is covered by Medicaid in Alabama?	Did you know?
<p>Children 0-18 (571,500) </p> <p>Elderly/Disabled (290,734) </p> <p>Pregnant Women (126,000) </p> <p>Working Parents (60,795) </p> <p>Childless Adults (0)</p> <p style="font-size: small; color: blue;">A parent can only qualify if they make less than \$4,368 a year. (family of four/18% FPL)</p>	<ul style="list-style-type: none"> <li>There are ZERO childless, non-disabled adults enrolled in Alabama Medicaid.</li> <li>Alabama has the MOST restrictive Medicaid eligibility in the country.</li> <li>ZERO General Fund dollars go into the Medicaid hospital program.</li> </ul>
How is Medicaid Funded?	Why do we need Medicaid?
<p>Medicaid is jointly funded by federal and state dollars</p> <p><b>\$ .32</b> For every 32¢ Alabama contributes</p> <p><b>\$ .68</b> ...comes from matching federal funding.</p> <p style="font-size: small; color: red;">In FY2014, Health Care providers contributed \$373.4 Million towards Alabama Medicaid's state share.</p>	<p>Medicaid is a \$6 Billion investment into the health care sector; the largest, private industry in Alabama.</p> <p>Without the economic benefits of Medicaid, hospitals, nursing homes and children's hospitals would close.</p> <p>Without Medicaid, physicians would leave Alabama, restricting access to care for every Alabamian.</p>

# “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.



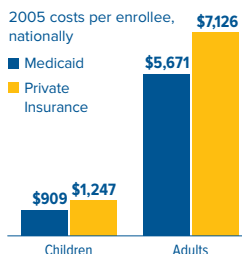
That’s **18%** of seniors in our state.



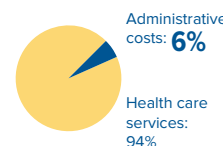
That’s **29%** of people with disabilities in our state.

#### Medicaid Is Efficient.

Medicaid costs less than private insurance.

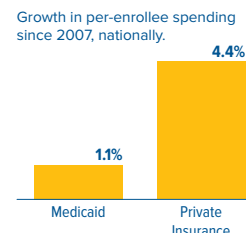


Medicaid’s administrative costs are low.



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

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



Member Hotel  
Discounts Webpage

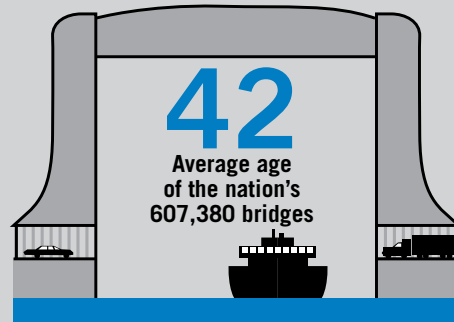
ENJOY YOUR FALL  
A Special Deal  
FOR RSA MEMBERS

- 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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our Alabama Tourist Department advertise "Alabama's Robert  
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