



ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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SERVING OVER 300,000 MEMBERS

March 2006

Legislative Updates

By Lindy J. Beale, Legislative Counsel



The first half of the Regular Session has concentrated on the Education Trust Fund and General Fund budgets, as well as the controversial Cost-of-Living Adjustments (COLAs). Due to concerns over the retiree COLAs, Dr. Bronner testified before the House Education Finance and Appropriations and the Government Finance and Appropriations Committees. While acknowledging the importance of retiree COLAs, Dr. Bronner stressed to the committee members that they should act with caution before granting a COLA.

Dr. Bronner began with the problems pension systems are facing all over the country. He stated, "Everyday you read about another company dramatically reducing pension and health-care obligations." He explained to the committees that the problems are not limited to private industry. In fact, many public plans are now struggling because of a history of giving generous benefits that are not adequately funded. Add to this the difficult investment markets of 2001 and 2002, and many public pension funds are suffering. Dr. Bronner pointed out that while the RSA is financially sound, the real concern is that the negative publicity around the country is encouraging some politicians to target public employee benefits in an effort to reduce government expenses.

Dr. Bronner also addressed the issue of the cost of COLAs. He reminded the committees that COLAs are 100% unfunded. The proposed 7% COLA that is moving quickly through the legislative process will add almost \$1 billion of unfunded

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Life is Good

By David G. Bronner

Three years ago, Governor Bob Riley attempted to correct the many abuses in the Alabama tax system, especially the annual income threshold at which Alabamians begin to pay taxes. Make no mistake, how the state taxes its citizens makes it one of the most unfair systems in America. Alabamians like to decry paying taxes, but the truth is that Alabama has the lowest tax burden in the U.S.

The voters have rejected Riley's tax proposals with one of the leading critics being Wallace D. Malone, Jr., former chairman and CEO of SouthTrust. Some Montgomery politico wags have inferred that Mr. Malone's family has thousands of

acres of timberland and paying more than a "buck an acre" in taxes would hurt!

Now we learn from *New York Times* reporter Eric Dash that, "Wallace D. Malone Jr., who became Wachovia's Vice Chairman just 15 months ago after selling SouthTrust Bank, will receive a golden parachute worth about \$135 million when he steps down from the company The retirement benefits come on top of the \$473 million worth of Wachovia stock he now holds from the sale of SouthTrust, including a \$10 million stock grant last year..."

Life is good. Maybe now he can afford to pay more than a "buck an acre."

Golf Australia Magazine Features RTJ

Nearly a dozen years ago with the birth of the Robert Trent Jones Golf Trail, it was envisioned that 1) it could dramatically change tourism, and it has; 2) it could help the RSA and Alabama recruit new industry, it has; and 3) it could help Alabama recruit retirees, it has.

The RSA knew publicity would contribute greatly to the RTJ Trail success, and our investments in television (Raycom) and newspaper (CNHI) industries have clearly demonstrated that belief to be correct. As more and more people discover this unique Trail, the word continues to spread worldwide.

The February issue of *Golf Australia* featured The Trail with six pages and seven outstanding pictures in an article entitled "Sweet Trail Alabama." A couple of flattering statements were, "In the heart of America's deep south lies a golf destination some say offers the best public golf in the world. Rick Weber takes a



look at Alabama's famed Robert Trent Jones Golf Trail," "In an age when the cost of a round of golf in the US can top \$300, the Trail is a stand out in quality at an affordable price."

If you care to read the entire story, please send a request by mail or email, and we will send you a copy.

Mail to: RSA Communications
Attention: Advisor
PO Box 302150

Montgomery, Alabama 36130-2150
Email: communications@rsa.state.al.us

ALABAMA'S TAX BURDEN

Editorial: *The Birmingham News*

“Well, a new report released this week says Alabamians are paying more taxes — 38 percent more over the past 10 years, up from \$1,126 per person in 1994 to \$1,551 in 2004. But is that justification for the argument that Alabamians are overtaxed?”

Not by a long shot.

The truth is, Alabamians have one of the lowest state tax burdens in the nation. According to the same U.S. Census report that showed Alabamians paying more taxes than a decade ago, we pay the fifth lowest amount of combined state taxes in the country. And over those years, Alabama actually moved down a few places — from seventh — among states with the lowest tax burdens.

Plus, when the 38 percent increase in state taxes is adjusted for inflation, the increase in state taxes amounts to only 8 percent.

There's more. **Add local taxes to state taxes and, voila! we're No. 1: the state with the absolute lowest local and state tax burdens in the United States by far.**

All of this makes it hard to argue — and be taken seriously — that Alabamians are overtaxed when compared to other states.

But there is a large segment of the state's population that is, indeed, overtaxed: the poor . . .

What Alabama is doing is taxing families further into poverty. For example, a mother with two children scraping by on a poverty-level job of \$15,299 has to pay \$443 a year to state income taxes, according to Alabama Arise, an advocacy organization for the poor. That's taking food out of babies' mouths.

And speaking of food, Alabama is one of only seven states that fully tax groceries.

Alabama's tax system isn't just sick, it's immoral. Our elected officials know that; they just haven't had the courage to change it, since that means defying the moneyed special interests that benefit from the current, disgraceful system . . .”

Our National Problem

Source: *U.S. News & World Report*

“The Bush Administration and the Republican Party seem to have lost all capacity for financial self-control, turning their backs on the GOP's historical record of responsible fiscal management. The Republicans have squandered the huge budget surplus they inherited by spending not just on guns and butter but on guns, butter, and tax cuts. Because of government obfuscation, most Americans don't realize the deep fiscal hole we're in — and the fact that we're still busy digging. As David Walker, the head of the nonpartisan Government Accountability Office, pointed out, “The federal government's obligations, current liabilities, and unfunded fiscal commitments are over \$43 trillion and rising . . . Yes, that's trillions with 12 zeros rather than billions with nine zeros.”

The estimated net worth of American families is slightly over \$47 trillion, and nearly all of it — 90 percent — would be needed to cover government's current obligations. And don't think we can grow our way out of this hole. According to the GAO, it would take really double-digit growth over the next 75 years to pay off our current debt — an impossible task, considering that the growth rate during the 1990s boom years averaged just 3.2 percent . . .

The American public gets it. In a recent poll, 90 percent called the deficit a very serious or somewhat serious problem. Which raises a rather interesting question: Where are all those budget hawks when we really need them?”

Legislative Updates... *continued from page one*

liability with the funded ratios decreasing from approximately 90% to 87% or 86%. Dr. Bronner pointed out that the State Legislature will be requested to fund the additional cost each year over the lifetime of the retiree. Furthermore, he urged the committees to remember the 4% COLA granted last year added \$500M of unfunded liability.

In summary, Dr. Bronner asked the committees to make sure whatever their decision that both the TRS and the ERS are treated the same. For up-to-date information on legislation affecting your retirement and health care benefits, visit our Web site at www.rsa.state.al.us and click on *Legislation* and then on *Current Legislation*.

ANNUAL REPORT AVAILABLE

Telephone — (334) 242-5718 or
800-214-2158, press 2,
then ext. 1503

Or Write* — RSA Annual Report
P.O. Box 302150
Montgomery, AL 36130-2150

*Include your Name/Address and Zip Code

Diet Supplements

What's in That Bottle?

In 25% of products it's not what the label claims, tests show. Some examples:

PRODUCT	PROBLEM
GINKGO BILOBA Supposed to improve memory	Three of 13 products tested were contaminated with lead; 7 of 13 lacked the claimed amounts of ingredients
WEIGHT LOSS PRODUCTS E.g. Ripped Fuel, Zantrex-3	Some contained high amounts of caffeine, plus 5 of 11 products tested didn't contain enough of the key ingredients
HORNY GOAT WEED Aimed at sexual dysfunction	All four tested products were either contaminated with lead or lacked the claimed amount of the active substance
CHROMIUM May help in diabetes	One supplement contained a toxic form of chromium; others had less — or more — chromium than listed on the bottle
MULTIVITAMINS	Most were O.K., but some lacked the full amounts of claimed ingredients, or contained lead, or didn't dissolve when swallowed

Data: ConsumerLab.com

GOING BROKE TO STAY ALIVE

By Catherine Arnst, *Business Week*

Avastin is one of the most important cancer treatments to come along in a decade. Developed by Genentech Inc. and approved in the U.S. two years ago, it can add months to the lives of the sickest patients with colon, lung, and breast cancer, a triple crown no other recent cancer drug can claim. Still, Genentech announced this month that Avastin's recent sales are running about 10% lower than many Wall Street analysts had expected.

The reason isn't hard to figure out. Avastin costs anywhere from \$4,400 to \$8,800 a month . . .

Now the impact is obvious. Most

of the newest treatments are taken along with older chemotherapies, and some are even taken in combination with one another, adding pricey drug on top of pricey drug. Dr Leonard Saltz of Memorial Sloan-Kettering Cancer Center in New York says that 10 years ago the drugs used to treat colon cancer cost about \$500. Today, the tab is \$250,000. Over the same 10-year period, the average life expectancy for colon cancer patients increased from 11 months to a little more than two years. "We're excited about these drugs," he says, "but not everyone can get them. Something has to give."

The High Price of Cancer Care

For a decade, Wayne Thornton of Albuquerque, N.M., has been struggling both with cancer and with the bills for his life-saving medicines, his latest chemo regimen:

ABRAXANE
Taken once every three weeks
COST PER TREATMENT \$8,152
HERCEPTIN
Once a week
COST PER TREATMENT \$4,550
AVASTIN
Once every two weeks
COST PER TREATMENT \$4,506

Salary "Spiking" Case

By Kim Lewis, *Enterprise Ledger*

A former investigator for Coffee and Pike counties has not given up claims that the state owes him an additional \$14,000 a year in retirement.

Even though a Montgomery County judge dismissed Bruce DeVane's case against the Retirement Systems of Ala-

bama, DeVane's attorney is hopeful the Alabama Court of Civil Appeals will reverse the judge's decision.

In a civil lawsuit that took nearly two years to settle, Judge Eugene Reese, upheld a decision by RSA to spare Alabama taxpayers and deny DeVane's claims to what RSA refers to as "extraordinary compensation."

RTJ Car Tag Photo Contest

We have already received some very interesting photos from around the world. Do not forget to send in your photos with a chance to win a stay at one of the RSA hotels!

To enter: Send us a photo of you and your RTJ car tag during one of your travels.

Photo submissions are due by: 4:00 p.m., May 31, 2006. Only RSA members are eligible to submit photos.

Each photo should include: The photographer's name, address and phone number.

The winners: In the July 2006 *Advisor*, two photographs will be announced as the winners.

The winners will each receive a 3-day, two-night stay at one of our RSA hotels! One winner will be selected on the farthest distance traveled. The other winner will be based on the uniqueness of the location and photograph.

Please submit hard copy photos to:
Michael Pegues
Retirement Systems of Alabama
PO Box 302150
Montgomery, AL 36130-2150



Jimmie Ballio visits Big Ben in London.

During the January 2004 bench trial, DeVane's former boss, U.S. District Judge Mark Fuller, who was district attorney for Coffee and Pike counties at that time, testified on behalf of DeVane.

As DeVane's boss, Fuller claims he could legally pay DeVane any salary he deemed suitable . . .

ERS Board Seeks Candidates for Upcoming Election

Candidates are now being sought for two ERS Board of Control positions. The two positions—Elected Local Employee Position No. 1, and Retired State Employee—will be filled in a statewide election that will take place this June.

Elected Local Employee, Position No. 1

The nominee must be an active member of the ERS by virtue of employment with a local agency (city, county, town, public or quasi-public agency). This position is a four-year term beginning October 1, 2006, and ending September 30, 2010. This position is currently held by Mr. Ronald Matthews.

Retired State Employee

The nominee must be a retired state employee and currently on the ERS retirement payroll. This position is a three-year term beginning October 1, 2006, and ending September 30, 2009. This position is currently held by Ms. Mary Lou Foster.

Application Process

Nomination packets are available on our Web site at www.rsa.state.al.us or you may contact Deborah Kirk at 1-800-214-2158 extension 1573. The completed petition must be returned to the ERS office by 4:00 p.m. April 17, 2006.

TRS Members Re-elect Mrs. Judy Rigdon

Mrs. Judy Rigdon has been re-elected in the Teacher Position, No. 3 Runoff for the TRS Board of Control. Mrs. Rigdon will begin another three-year term on July 1, 2006.



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 Tisha or Deborah to request a tag at (334) 242-5718, or 800-214-2158 press 2, then ext. 1503, or write:

Tag
P.O. Box 302150
Montgomery, AL 36130-2150



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RETIREMENT SYSTEMS OF ALABAMA
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Remember, If You Want to Protect RSA,
Elect Politicians Who Support RSA!