



# ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

Vol. XXXI -- No. 7

SERVING OVER 297,000 MEMBERS

January 2006

## Taxpayers Contribute 14.8% of Last Year's Revenue!



Retirement Systems of Alabama Revenue Resources\*  
FY October 1, 2004 – September 30, 2005

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>	<u>Combined</u>
<b>Revenue (in Millions)</b>				
Employee	\$ 262.8	\$ 159.0	\$ 2.4	\$ 424.2
Employer	\$ 347.9	\$ 197.2	\$ 8.9	\$ 554.0
Investment Income	\$ 1,881.0	\$ 858.3	\$ 19.4	\$ 2,758.7
<b>Total</b>	<b>\$ 2,491.7</b>	<b>\$ 1,214.5</b>	<b>\$ 30.7</b>	<b>\$ 3,736.9</b>
<b>Revenue (Percent)</b>				
Employee	10.5%	13.1%	7.8%	11.4%
Employer	14.0%	16.2%	29.0%	14.8%
Investment Income	75.5%	70.7%	63.2%	73.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* State plus public and quasi-public agencies

(Editor's note: Investment Income is net all losses.)

## I Am Economically Challenged

By David G. Bronner

**M**y father was a Republican and my mother a Democrat, while I have remained an independent long after their passing. My father felt it was simply bad for America to have one party in charge of Congress and the White House at the same time. It was even worse if that party controlled the Supreme Court. His philosophy was that a divided government protected the people because neither party could be trusted with total control.

Today, America is in uncharted waters relative to the financial balance sheet of this country. Yet, Republicans are supposed to be fiscal conservatives. In the past, presidents have taken away "the butter" in order to engage in war. No presidents, except Johnson in Vietnam, have tried to have both, while at the same time engaged in massive tax reductions for the wealthy. As if that is not enough to shake the financial stability, add the costs of America's most expensive natural disaster, Hurricane Katrina.

America is clearly the envy of the world with our standard of living. The only problem is that we are living the good life by piling up debt. In recent years, Japan and Europe have been America's bankers. Today, America's banker is China.

As of this date, Japan holds \$683 billion, China \$242 billion, UK \$160 billion, and all other foreign holders total \$127 billion in US Treasury Securities. China is estimated to be holding \$700-800 billion in cash.

## A Third Positive Year—After Two Bad Ones

### The Retirement Systems of Alabama

#### Schedule of Investment Performance

Fiscal Year Ending September 30, 2005

Total Portfolio	<u>1-YEAR</u>	<u>3-YEARS</u>	<u>5-YEARS</u>	<u>10-YEARS</u>
Teachers' Retirement System	11.25%	12.86%	4.48%	7.92%
Employees' Retirement System	10.97%	12.74%	4.01%	7.78%
Judicial Retirement Fund	9.91%	10.99%	2.09%	7.54%

*continued on page three*

# Final Directives

**A**nn Perry will be forever grateful that her mother had the foresight to sign a health care proxy and durable power of attorney for finances. "When my mother was critically ill, I used both of those several times," recalls Perry, the author of *The Wise Inheritor*. "It not only made life easier for me: I think it made life easier for her. She didn't have to worry about whether the bills were being paid while she was so sick."

One of the most thoughtful legacies is peace of mind. No one wants to mar the memory of a loved one with "should have, would have, could have" arguments and "I think this is what Mom wanted but she never said" doubts. You can prevent that with the right advance directives and documents that ensure your own legacy is trouble-free.

## • A Will

More than half of the adult population in the United States dies without a

will. This is downright irresponsible. If you die without a will—or intestate, in legalese—the laws of the state and the bureaucrats of your state government take over. The rules for distribution of assets are different for each state, and you may not wind up with things done the way you would have wanted.

## • A living will or health care directive

Equally important is the living will. Also known as a health care directive, a living will spells out exactly what medical measures you want to keep you alive should you become incapacitated. The agonizing Terri Shiavo case earlier this year showed how the absence of a living will could rip a family apart.

## • A health care power of attorney

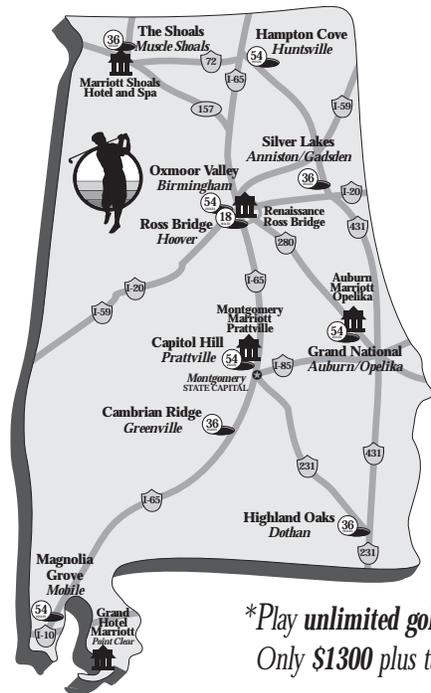
A living will lays out your wishes with regard to medical care. A health care proxy—someone you love and trust—uses a health care power of attorney to make such decisions on your behalf if you become incapable of mak-

ing them on your own.

## • A durable power of attorney for finances

A durable power of attorney authorizes a loved one to make financial decisions on your behalf should you become unable to do so. It allows your agent to pay bills, sell stock and even sell your home or business, based on the agent's determination of what is in your best interests.

Although it is best to have these documents prepared by a lawyer who specializes in family-legal matters, you can take care of the basics on your own through available software, such as Quicken's *Will Maker Plus* or Kiplinger's *Willpower* or *Legal Zoom*. Web sites such as [www.findlaw.com](http://www.findlaw.com), and [www.easylegal.com](http://www.easylegal.com) and also provide forms and advice.



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Magnolia Grove / 251.645.0075

\*CART INCLUDED, TAX NOT INCLUDED

## Economically Challenged *continued from page one*

It is no big secret that the American consumer has long been the major engine on the demand side of the global economy. What is surprising is how the rest of the world has gone the other way—lagging on the consumption front and relying instead, on investments and exports to sustain economic growth. The US stands alone in the excesses of consumerism, with personal consumption averaging 71% of Gross Domestic Product since early 2002—well above the 67% norm that prevailed over the 1975 to 2000 period. By comparison, other major economies are laggards. Europe's consumption share is only 58%, Japan's is 55%, and China trails the pack, with private consumption amounting to just 42% of its GDP. America's personal saving rate is now in negative territory. By contrast, personal saving rates are considerably higher elsewhere in a consumption-short world: 8% in Japan, 14% in Europe, and a staggering 35% in China.

Our Top 5 current trade balance by country is as follows: China -\$107 billion (up 29.2% from last year); Japan -\$48 billion (up 13.1%); Canada -\$38 billion (Flat); Germany -\$28.9 billion (up 11%); and Mexico -\$27.9 billion (up 8.5%). Our surplus comes from Burma at \$3 million with the highest being The Netherlands at \$7.4 billion! In other words, the deficit is running in the \$350-400 billion range.

On the question of whether China's oil company should have been permitted by the U.S. government to purchase the U.S. oil and gas company Unocal or

Maytag, my view is very simple: let the market rule.

If I seem uninterested in this matter, I am. Because I do not think the important issue is who owns Unocal. The important issue is whether America and China are drifting into a dangerous confrontation over geo-economics. How so? Well, in brief, the Chinese and U.S. economies have become totally intertwined. While we have been focused on 9/11 and Iraq, China and America have become, in economic terms, Siamese twins.

You know that cheap mortgage you just got? Well, who do you think subsidized it? In many ways it was China. Americans do not save anymore, and import more than they export. Normally, a nation that did that as long and lavishly as the U.S. would have to raise interest rates to get other countries to hold its currency. But America has not had to do that. In part because China has been willing to hold most of the dollars it has been accumulating.

The real issue is that America has slipped into a symbiotic relationship with another major power that is neither a free market nor a democracy. We have both grown dependent on that relationship—the U.S. for cheap goods and cheap mortgages, and China for high employment and regime stability.

In conclusion, if China cannot spend our money in this country as the Japanese did, China will pursue big ticket purchases of assets around the world rivaling the U.S. in one of its traditional spheres of influence.

## TRS Board Elections

**TRS MEMBERS ELECT  
DR. CARL W. PONDER, JR. AND  
RE-ELECT MRS. SHARON PICKETT SAXON**

Dr. Carl W. Ponder, Jr. has been elected to the Principal Position on the TRS Board of Control. Dr. Ponder presently serves as Principal for the Alabama School for the Blind.

Mrs. Sharon Pickett Saxon has been re-elected to the Support Personnel Position No. 2 on the TRS Board of Control. Mrs. Saxon currently serves as Chief Financial Officer at Fairfield City Schools.

Dr. Ponder and Mrs. Saxon will begin a three-year term on July 1, 2006.

### **RUNOFF ELECTION TO DECIDE BOARD POSITION**

A runoff election will be held for the position of Teacher No. 3 between the incumbent Mrs. Judy Lumpkin Rigdon and Mrs. Teresa L. Harbison. Voting for this election will begin January 5, 2006, and will continue through February 9, 2006.

**Make your vote count!** Your participation will help ensure a fiscally sound retirement system for the future.

## Smoker's Surcharge

Governor, Finance Director and Dr. Bronner All Pay

**I**n a recent letter to the RSA, a retiree posed the question, "Why not just lie about smoking and not pay the \$20 per month surcharge?" Well, the obvious answer is because it is simply dishonest. Moreover, you will eventually get caught!

As a condition of the Non-Smoker Premium Discount Program, members agree to submit to periodic tobacco usage testing, as well as authorize any licensed physician, medical practitioner,

hospital, pharmacy, clinic or other medically related facility, insurance company, government agency or other organization or person that has any records or knowledge of the member's health to provide PEEHIP any information related to the participant's use or non-use of tobacco products. Any member knowingly and willfully submitting false information to PEEHIP will be required to repay all claims and other expenses

incurred by PEEHIP related to the false or misleading information, plus interest.

Smoking is the leading preventable cause of disease and death in the United States, causing 440,000 deaths each year and costing approximately \$157 billion in annual health-related economic losses. As a result more and more smoking surcharges are being added to employees' premiums, ranging from \$15 per month to \$50 per month.

# RTJ Car Tag Photo Contest

*A Neat Promo Idea*

**R**SA retiree Dallas Baillio from Dauphin Island, Alabama, has come up with a great idea for members who have a RTJ Trail car tag.

Traveling RSA members (active or retired) can either drive their vehicle with the RTJ tag on the front, or take it with them on their travels. Take a photo as documentation to show where and how far the RTJ tag has traveled and send it to the RSA.

**TO ENTER:** Send a photo of you and your RTJ car tag during one of your travels. Mr. Baillio sent us a picture of him and his motor home at the Arctic Circle.



**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.

**PHOTO SUBMISSIONS ARE DUE BY:** 4:00 p.m., May 31, 2006. Only RSA members are eligible.

**EACH PHOTO SHOULD INCLUDE:** The photographer's name, address and phone number.

**PLEASE SUBMIT HARD COPY PHOTOS TO:**

Michael Pegues  
Retirement Systems of Alabama  
P.O. Box 302150  
Montgomery, AL 36130-2150

Or email your photo to:  
mikep@rsa.state.al.us



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**Report — Street Lights that are Out — to the Power Company!  
Report — Weedy Lots — to the Mayor!**