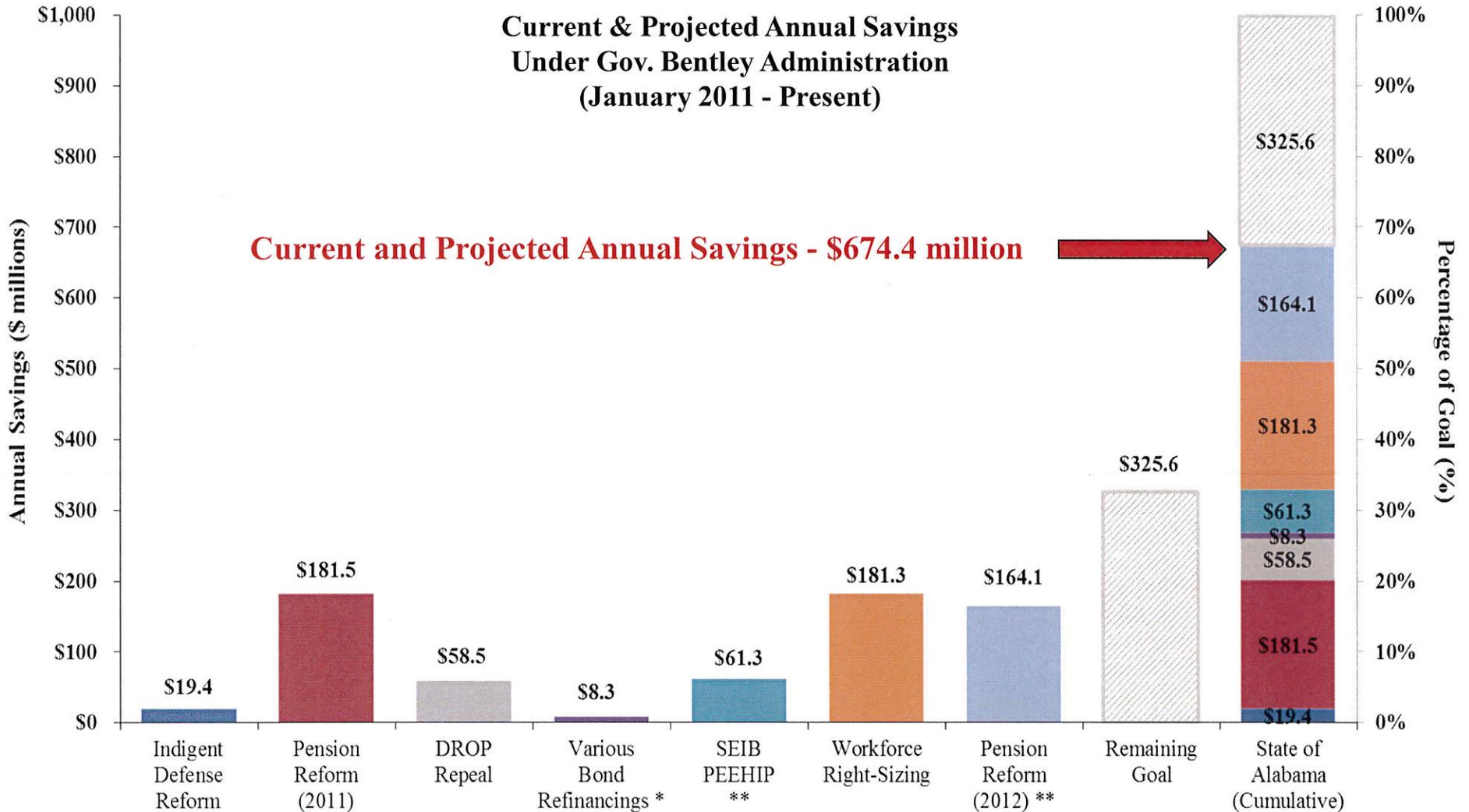


Road to a \$Billion in Savings



* \$92.6 million of total realized savings. For consistency, average annual savings calculation assumes equally spread over remaining life of bonds

** Average annual savings over life of project

Annual Savings Calculation - Enacted

- Pension Reform 2011 (HB414 - 2011) - \$181.5 million
 - Employee pension contribution increased from 5.0% to 7.25% (6.0% to 8.25% for FLC)
 - Total savings to state agencies of an estimated \$216.0 million in fiscal year 2012, plus another \$24.0 million beginning in FY2013 when contribution raises by 0.25%
 - *LFO Fiscal Note savings of \$240.0 million (\$170.5 + \$45.5 + \$24.0) includes the savings of DROP Repeal (SB72), resulting in net savings of \$181.5 million (\$240.0 - \$58.5)*

Source: LFO Fiscal Note <http://alisondb.legislature.state.al.us/acas/ACASLoginIE.asp>

- Pension Reform 2012 (SB388 - 2012) - \$164.1 million
 - Creates a new pension plan for employees hired on or after January 1, 2013
 - Establishes a minimum retirement age (age 62, age 56 for Fire, Law, Corrections - FLC)
 - Eliminates pension spiking (adjusts “high 3-years” to “high 5-years”)
 - Reduces benefit factor (from 2.0125% to 1.65%, from 2.875% to 2.375% for FLC)
 - \$5.05 Billion of total savings over 30.75 years (\$164.1mm average annually)

Source: LFO Fiscal Note <http://alisondb.legislature.state.al.us/acas/ACASLoginIE.asp>

- DROP Repeal (SB72 - 2011) - \$58.5 million
 - Abolishment of the Deferred Retirement Option Program
 - Employer contributions paid to the Teachers Retirement System (TRS) and Employees Retirement System (ERS) reduced by an estimated \$58.5 million beginning in FY 2012

Source: LFO Fiscal Note <http://alisondb.legislature.state.al.us/acas/ACASLoginIE.asp>

Annual Savings Calculation - Enacted

- Workforce-Rightsizing (2011 & 2012) - \$181.3 million
 - State employees as of January 2011 - 34,768
 - State employees as of June 2012 – 31,710
 - Net decrease of -3,058 (8.8% of total workforce)
 - Average Salary (\$42,401) and fringe benefits (39.85% of salary or \$16,897) for total compensation of \$59,298
 - \$181.3mm savings (3,058 headcount reduction x \$59,298 average total compensation)

Source: State Personnel Department estimates <http://personnel.alabama.gov/Default.aspx>

- SEIB/PEEHIP Employer Rates (HB123, SB133 - 2011) - \$61.3 million
 - Reduced the SEIB employer rate from \$805 per month/employee (FY11) to \$765 per month/employee (FY12). PEEHIP reduced from \$752/month/employee to \$714 per month
 - This \$40/\$38 per month reduction reduces the employer cost paid by state agencies to the SEIB by approximately
 - SEIB reduction - \$17,180,000 annually (based on 35,791 employees covered by SEIB)
 - PEEHIP reduction - \$44,100,000 annually (based on 96,815 employees covered by PEEHIP)

Source: Executive Budget Office <http://budget.alabama.gov/Default.aspx>

Annual Savings Calculation - Enacted

- Indigent Defense Reform (SB440 - 2011) - \$19.4 million (projected)
 - Created the Office of Indigent Defense Services to monitor and control excessive billing practices and eliminated the reimbursement of overhead charges to attorneys
 - Reduced fee from \$85-\$95 per hour (including overhead) to a flat rate of \$70 per hour
 - 2011 Actual Expenses - \$65.3mm vs. 2013 Projected Expenses - \$45.9mm

Source: LFO Fiscal Note, Office of Indigent Defense Services estimates <http://oids.alabama.gov/>

- Various Bond Refinancings - \$8.3 million
 - 21st Century (Tobacco) Refunding - \$17.9mm savings over 9 years (\$1.9mm annually)
 - Federal Aid Highway Finance Authority - \$8.9mm over 5 years (\$1.6mm annually)
 - Public School & College Authority (2012) - \$26.3mm over 12-17 years (\$1.9mm annually)
 - Public School & College Authority (2011) - \$39.5mm over 10-15 years (\$2.8mm annually)
 - \$92.6 million of total realized savings. For consistency, average annual savings calculation assumes equally spread over remaining life of bonds (\$8.3mm annually)

Source: Finance Department <http://finance.alabama.gov/>