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# Pensions chief pessimistic about economy

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MONTGOMERY | Retirement Systems of Alabama CEO David Bronner said he's worried about the economy's fragile state.

"Normally, I'm optimistic," he said in a recent interview. "But more problems have to be solved than normal.

Bronner said that even though the problems that caused the recession are being addressed, he's concerned about potential domestic and international crises.

"There is a glimmer of hope for the economy," Bronner said. "Maybe the economy comes around in September through year's end, but it's more likely to be in better shape in the spring."

He listed the continuing threat of a swine flu outbreak and unrest in Pakistan, North Korea, Iraq, Iran and Afghanistan as potential obstacles to a return to prosperity.

"The progress we've made in the last six months is at risk if any of those international things go wrong," he said.

Bronner heads the \$28 billion pension system for state employees, educators, the court system and many cities and counties. He's seen RSA assets decrease during the economic downturn, but he emphasized that RSA retirement payments are guaranteed.

Bronner said state lawmakers will face a difficult path when they gather in January for the 2010 legislative session in Montgomery. Crafting a budget for 2011, when Alabama's share of federal stimulus money runs out, will require tough choices.

"You've got the same problem in 2011 when you start talking about the 2012 budget," he said. "Our state will be losing the \$3 billion the feds are putting in here that keeps us afloat right now."

Bronner also said California's budget crisis could cause a ripple effect across the nation.

"People don't understand how important California is to the nation. It's basically a third of our economy," he said. "If California doesn't handle the situation well in a matter of days or weeks, that contagion will march across the country."

Bronner said he is also concerned about federal spending.



David Bronner, CEO of Retirement Systems of Alabama, said that international unrest could potentially set back a return to prosperity in the U.S.

"[President George W.] Bush spent about \$800 billion on TARP that was supposed to help the housing situation, but which was used to bail out Wall Street," Bronner said, referring to the Troubled Asset Relief Program. "Then came [President Barack] Obama, who spent \$800 billion in stimulus, but he hasn't spent most of it — maybe 10 or 15 percent. Now they're coming with the medical insurance program that will be another \$800 billion to a trillion."

The pensions chief said roughly \$560 billion in commercial real estate loans have to be refinanced while some banks remain in weak condition and the value of property is falling.

"What's the possibility of [banks getting their money]?" he said. "That's why I have serious concerns about things, many of which are not in our control. I'm pessimistic now."

However, Bronner said there are some positive economic developments.

"On the good news side, we know the problem of housing, we know the auto industry has now passed its critical point and we do know that the consumer is looking to make a few purchases, which is good," he said.

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