



# ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

## Oops, Slightly Above Average

David G. Bronner

A couple of months ago, *The Birmingham News* and other media outlets reported with big headlines about RSA's investment losses. The numbers supplied by the RSA indicated that the RSA had "below average" investment performance numbers when compared to other state pension funds as of September 30, 2008.

In last month's *Advisor*, I defended myself about being slightly below average (about 1/2 of 1 percent). I tried to show that anytime you try to change a rural state through investments, you make the mountain of success a little harder to climb.

Oops, guess what? The calendar year-end numbers for 2008 show the RSA not slightly below average, but 2% above average! For the last 10 years, the RSA is actually above average as well. See the story on page two from *The Birmingham News*.

You must ask yourself, "What is going on?" Our research indicates only one major conclusion. Almost all of the U.S. pension funds do not value their "non-public" holdings in our fiscal year-end, which ends every September 30, but values them at calendar year-end. In volatile markets, it is wise to look at both fiscal and calendar year-end numbers before hitting the panic button. ■

## Expanded Commitment to The Shoals

David G. Bronner

During the first half of 2007, the Governor's staff, RSA, and many state and local political leaders worked diligently to recruit National Industries Inc. to The Shoals in Alabama. The nearly mile long, spectacular National Alabama Corporation plant is about a year away from full completion. At full capacity it will produce nearly 10,000 railcars annually and employ more than 1,500 workers.

At the outset RSA provided a \$350 million loan to finance plant construction. Ultimately all financing, including process equipment was to be provided by the manufacturers, via Wall Street. With the crash of the American financial markets in the fall of 2008, all available financing disappeared in a matter of weeks.



Recognizing the continuing long-term value that National Alabama Corporation would bring to The Shoals region and to the state, the RSA entered further and lengthy negotiations with National Alabama, which have just been concluded. As a result, RSA has agreed to provide up to a total of \$625 million to complete the project, including the original \$350 million loan.

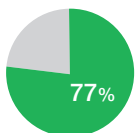
The three-year, 8.5% construction loan will be converted into permanent financing on January 1, 2011. The combined loans will be non-call, non-refundable for 15 years with level principal and interest at a rate of 9.125%, with 100% of the stock, not owned by the RSA, pledged to the loans. The RSA will also acquire a 20% equity interest in the company. In addition, the RSA will hold three of the five seats on the Board of Directors, including the Board Chairman and Audit Committee Chairman.

RSA is confident in the long-term, positive future of National Alabama and the ongoing contributions it will make to the economy of The Shoals and to Alabama. Over the next year or two, National Alabama will take its place as the most modern and technologically advanced manufacturer of railway freight cars in the world.

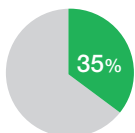
Alabama has vastly changed for the better with RSA's numerous investments in Alabama as shown in last month's *Advisor*. The RSA will continue to move forward in this current difficult world, which we expect to improve in the coming years. ■

## Electricity Generated From Nuclear Power

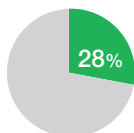
(as of October 2008)



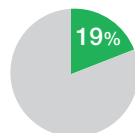
FRANCE  
59 reactors



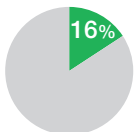
S. KOREA  
20 reactors



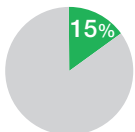
JAPAN  
55 reactors



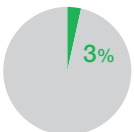
UNITED STATES  
104 reactors



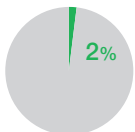
RUSSIA  
31 reactors



UNITED KINGDOM  
19 reactors



INDIA  
17 reactors



CHINA  
11 reactors

Source: National Geographic

# Investments Fall 23 Percent in 2008

David White, *The Birmingham News*

**M**ONTGOMERY—The value of investments held by the biggest pension funds run by the Retirement Systems of Alabama fell more than 23 percent in 2008, but didn't fall as far as investments held by most pension funds included in a national survey. "If you look at this calendar year for 2008, you say, well, you're above average," said RSA chief executive David Bronner. "I don't feel that I'm above average, because I lost money. (I) just lost less than other people."

RSA's biggest pension funds are the Teacher's Retirement System and Employees' Retirement System, which together on Dec. 31 had \$23.49 billion in stocks, bonds and other assets, 25.5 percent less than combined assets of \$31.54 billion a year earlier. Assets reflect investment returns as well as payment made to RSA by covered public employees and state and local governments, minus pension payouts to retirees. About 330,000 active and retired employees of public schools, two-year colleges and universities, state agencies and hundreds of cities, counties and local agencies such as water boards are members of those two pension funds. They collect pensions or plan to some day.

For the year ending Dec. 31, the Teachers' Retirement System posted a loss of 23.9 percent, and the Employees' Retirement System posted a loss of 23.4 percent. For comparison, the median return last year was a loss of 25.9 per-

cent for 48 pension funds with more than \$1 billion in assets surveyed by State Street Investment Analytics of Boston. Half the funds had better returns than the median and half had worse.

## What to expect?

Marc Green, RSA's chief investment officer, said he had no idea how stock and bond investments would fare in coming months. "You pick," he said, adding that RSA now is adding to its cash position rather than rushing into stocks or bonds. "We've just been building cash...and taking a wait-and-see approach."

Bronner said RSA did a bit better than many of its peers in the calendar year because it had slightly less money invested in domestic and international stocks than the typical pension fund, and those investments overall took a dive.

RSA's largest funds had better average annual investment returns than the State Street national medians for the three-year and 10-year periods ending Dec. 31, and worse average annual returns than the State Street median for the five-year period ending Dec. 31.

For the three years ending Dec. 31, the average annual return was a loss of 1.98 percent for the Teachers' Retirement System (TRS) and a loss of 1.75 percent for the Employees' Retirement System (ERS), compared to a median loss of 2.63 percent for the surveyed funds.

For the five years ending Dec. 31, the average annual return was 1.93 percent for the TRS and 1.94 percent for the ERS, compared to the 2.24 percent median average annual return. For the 10 years ending Dec. 31, the average annual return was 3.97 percent for the TRS and 3.84 percent for the ERS, compared to the 3.37 percent median average annual return.

## Should you worry?

Despite last year's investment losses, Bronner stressed that current and future retirees of RSA are guaranteed their pension benefits by a formula based on years of service and average final salary. Their pension benefits are based on that benefit formula, not on the investment returns of the TRS and ERS, which vary from year to year.

"You don't have to sweat it if you're in the RSA. We get to sweat it, but the member doesn't," Bronner said. If RSA's investment returns don't improve enough in coming years to make up recent losses, taxpayers will have to kick in extra money to keep the pension system healthy, Bronner said.

The state in this fiscal year, which started Oct. 1, is budgeted to spend \$963.3 million for the current and future pension benefits of its public education and court and state agency employees and retirees, compared to the \$364.5 million paid five years ago. ■

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## Raycom & Alabama

**R**aycom Media and Local TV Holdings announced that they have entered into a definitive Asset Exchange Agreement. Local TV will swap WBRC-TV (Fox 6) in Birmingham for Raycom's WTVR-TV (CBS 6) in Richmond, Virginia, plus additional consideration. The transaction is expected to close sometime during spring of 2009.

Paul McTear, CEO of Raycom, said, "Acquiring WBRC strengthens Raycom's

position in Alabama. Adding WBRC to our portfolio gives Raycom a presence in nearly every major Alabama market. This transaction allows us to complete the mandated divestiture of WTVR, Channel 6 in Richmond."

Raycom, a RSA-funded, employee-owned company, is one of the nation's largest broadcasters and owns and operates 46 television stations in 18 states. Raycom stations cover more than 13 percent of U.S. television households and

employ 3,500 individuals in full and part-time positions. In addition to television stations, Raycom owns Raycom Sports (a marketing, production company in Charlotte); Raycom Post (a post production facility in Burbank, California); Broadview Media (a post production / telecommunications company based in Montgomery); and Cable Vantage (a cable advertising sales group based in Columbia, South Carolina). ■

# Alabama Launches Spa Trail

Deborah Storey, *The Huntsville Times*

With five sites, the "Spa Trail" offers guests pampering, treatments in special settings. Alabama's Robert Trent Jones Golf Trail has brought the state national recognition. Now there's another new, more laid-back trail concept: spas.

.. "From traditional warm stone massages to caviar facials, the RTJ Spa Trail features five spas across Alabama offering innovative treatments in exquisite settings," said Steve Solberg, president and CEO of PCH Hotels & Resorts. Owned by the Retirement Systems of Alabama, the RTJ Spa Trail is part of the Robert Trent Jones Golf Trail's Resort Collection that spans the state. Spas are located in Marriott and Renaissance Hotels in Point Clear, Mobile, Montgomery, Hoover and Florence. All locations have earned Four Diamond ratings by AAA.

"We currently are tied with Hawaii in the number of quality spas recognized by BestSpasUSA and we still have two more to be reviewed," Solberg said. The concept should appeal to both leisure travelers and business travelers, he said. Spa treatments may seem a luxury these days, but then again, maybe it's the right time to be pampered a bit. The hotels they're in are some of the nicest in the state.

"Named as the top value for golf by *Golf Digest* in 2008, the Trail and its resorts offer affordable meeting and getaway options at a time when we can certainly use one," Solberg said in a press release. A new "trail card" gives people discounts and freebies. For more information on the RTJ Spa Trail, the Resort Collection, and the RTJ Golf Trail, visit [www.pchresorts.com](http://www.pchresorts.com) or [www.rtgolf.com](http://www.rtgolf.com).

## RTJ SPA TRAIL CARD

Cost: \$40

Benefits: \$20 gift card for any of the five spas, 25 percent off spa services, room rates and spa products, 10 percent off hotel food and beverages. Free make-up touch-up or paraffin dip for hands or feet, glass of wine after treatment and use of spa the day before or after treatment for hotel guests. Those who have services at each spa and get the card stamped will get another free \$100 value treatment. How to get it: At any spa location or by calling the spa directly. Good for one year. ■



## 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 to request a tag at 334-517-7000, or 877-517-0020, or write:

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

## Where they are

**The Spa at The Grand:** Grand Hotel Marriott Resort, Golf Club and Spa in Point Clear on 550 scenic acres along Mobile Bay. Details: 20,000-square-foot spa, nine treatment rooms, open daily. Phone: 251-990-6385

**The Spa at The Battle House:** At The Battle House, a Renaissance Hotel and Spa in downtown Mobile, with a view of downtown and Mobile Bay. Details: 10,000 square feet, eight treatment rooms, open daily. Phone: 251-338-5700

**The Spa at Montgomery:** Renaissance Montgomery Hotel and Spa at the Convention Center, with spa services from around the world. Details: 9,000 square feet, seven rooms, open Tuesday-Saturday and by appointment Sunday-Monday. Phone: 334-481-5210

**The Spa at Ross Bridge:** Renaissance Ross Bridge Golf Resort and Spa in Hoover. Details: 12,000 square feet, 10 rooms, open daily. Phone: 205-949-3041

**The Spa at The Shoals:** Marriott Shoals Hotel and Spa in Florence, on the banks of the Tennessee River. Details: 6,000 square feet, four rooms, couples room, open daily. Phone: 256-246-3696

## ANNUAL REPORT AVAILABLE

Telephone  
877-517-0020  
or 334-517-7000

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

\*Include your Name/Address and Zip Code

ENJOY YOUR SPRING  
A Special Deal  
FOR RSA MEMBERS

**The Battle House,  
A Renaissance Hotel – Mobile – \$89**

- Mar. 1-4, 8-11, 15-17, 22-25, 29-31
- Apr. 1-5, 10-12, 19-25, 28-30
- May 1-5, 8-16, 22-31

**The Renaissance Riverview Plaza –  
Mobile – \$79**

- Mar. 1-5, 8-11, 15-17, 22-25, 29-31
- Apr. 1-5, 8-9, 11-13, 19-23, 26-30
- May 12-16, 22-25

**Marriott Grand – \$89** plus a 14% resort fee

- Mar. 1-18, 22-25, 28-31
- Apr. 2-9, 12, 19-22, 26-30
- May 1-13, 17-18, 24-28

**Marriott Grand – RSA Golf Package – \$169**

Ask for code – LOCD

Includes: Deluxe Room, One Round of Golf for Two People.

Call for Tee Times after booking package

- Mar. 1-18, 22-25, 28-31
- Apr. 2-9, 12, 19-22, 26-30
- May 1-13, 17-18, 24-28

**Marriott Shoals – Florence – \$79**

- Mar. 1-2, 7-8, 12-14, 22-23, 29-31
- Apr. 3-6, 19-20, 30
- May 10-11, 17-18, 25-27, 31

**Renaissance Ross Bridge – Hoover – \$89**

- Mar. 1-17, 22-31 • Apr. 5-16, 22, 26-27
- May 2-6, 10, 11, 21, 24-31

**Opelika Marriott – \$79**

- Mar. 1, 4, 7-26, 29, 31
- Apr. 1-14, 19-22, 24-26, 28-29
- May 1-3, 7, 10-11, 17-30

**Prattville Marriott – \$79**

- Mar. 1-5, 7-18, 21-25, 29-31
- Apr. 1-2, 4-8, 10-15, 19-23, 26-30
- May 1-7, 10-13, 17-21, 25-31

**Renaissance Montgomery – \$89**

- Mar. 4-9, 13-14, 22-29
- Apr. 1, 5, 9-13, 19, 21-23, 25-27
- May 1, 5, 10, 14, 16-17, 21, 24-31

**RSA Spa Package – \$159**

Ask for code – LOCD Includes Deluxe Room

- Mar. 4-5, 24-26 • Apr. 1, 9, 21-23
- May 5, 14, 21, 26-31

*Rates available the 1st of the month and are not applicable to groups.*

Code: RABM, 800-228-9290

Internet promo code: R2A on [marriott.com](http://marriott.com)

## State Literacy Rates Improving

Source: Associated Press

**A** new report shows Alabama literacy rates improved from 1992 to 2003, but some counties still are double the national illiteracy rate average of 14.5 percent.

The study by the National Center for Education Statistics showed 15 percent of Alabamians lacked basic literacy skills in 2003, an improvement from 21 percent in 1992.

The study didn't issue rankings, but 12 states had illiteracy rates that were higher than Alabama's while 36 and the District of Columbia had lower illiteracy rates. South Carolina matched Alabama's rate of 15 percent.

Shelby County had the lowest rate of illiteracy with seven percent while Bullock County was the highest at 34 percent. ■

## ERS Board Seeks Candidates for Upcoming Election

**C**andidates are now being sought for the Retired State Employee Position on the ERS Board of Control. The election will take place in June 2009. Only retired state employees may vote.

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, 2009, and ending September 30, 2012. This position is currently held by Ms. Mary Lou Foster.

Nomination packets are now available on our Web site at [www.rsa-al.gov](http://www.rsa-al.gov) or contact Deborah Kirk at 877-517-0020. The completed petition must be returned to the ERS office by 4:00 p.m., April 15, 2009. ■



## The ADVISOR

### CEO

David G. Bronner

### Deputy

Marcus H. Reynolds

### Executives

**Communications**  
Michael E. Pegues

**Chief Accountant & Financial Officer**  
Diane E. Scott

**Employees' and Judicial Retirement**  
R. Donald Nelson

**Field Services**  
Judy P. Utley

**Information Technology Services**  
Michael T. Baker

**Investments**  
R. Marc Green

**Legal**  
William T. Stephens  
William F. Kelley, Jr.

**Legislative Counsel**  
Lindy J. Beale

**Member Services**  
Penny K. Wilson

**RSA-1**  
Teresa B. Pettus

**Teachers' Health Insurance**  
Lee M. Hayes

**Teachers' Retirement**  
Donald L. Yancey

The Retirement Systems of Alabama  
201 South Union Street  
P.O. Box 302150

Montgomery, Alabama 36130-2150  
Phone: 334-517-7000  
877-517-0020

RSA Web site  
[www.rsa-al.gov](http://www.rsa-al.gov)

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