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SERVING OVER 339,000 MEMBERS

August 2015

## RSA Has Increased Assets by 46% Since 2009: Here's Why That Matters

BY DAVID G. BRONNER

On July 16, Yellowhammernews.com published an article by staff writer Elizabeth BeShears criticizing the Retirement Systems of Alabama (RSA) for investing in a now bankrupt company. No investor always picks winners, and like all investors, the RSA has made investments that have lost money. The important fact is that the RSA picks more winners than losers and has been achieving annual gains, which have exceeded its 8% assumed rate of return. In fact, the RSA's overall annual returns for the last five years have averaged almost 11%.

The most disturbing part of the article, however, is the citation to a debunked "study" published by the Johnson Center for Political Economy at Troy University. The conclusions asserted in the Johnson Center report are patently and demonstrably false. The most egregious of these mischaracterizations is that the RSA "will actually run out of money in 2023."

This conclusion was calculated using the RSA's 2009 asset valuation of \$24 billion at the low point of the market meltdown. The Johnson Center report does not update earlier erroneous projections or take into account what has happened to the RSA investments and valuations since then. Between 2009 and now, the RSA has paid out about **\$15 billion in benefits** to its members and increased its assets by **46%** to approximately **\$35 billion**. Thus, today the RSA has **\$11 billion more** in assets after meeting all of its obligations than it did in 2009. *RSA is NOT running out of money.*

The article also asserts that "taxpayer money currently props up the RSA..." In

2014, the RSA had a total of \$5.5 billion in income. Of that, \$3.7 billion, or about 67%, came from earnings on investments. The remainder came from employees' and employers' contributions. The entire state's contribution for the year comprised just 16.4% of the RSA's income.

The reckless perpetuation of these falsehoods only serves to confuse people and make hundreds of thousands of RSA members and their families feel uncertain about their financial security. That is wrong.

The RSA has the fiduciary responsibility of paying lifetime benefits for its members and the many generations of future members who come after them. History shows that the average return for the RSA's funds for the last 25 years is over 8%, a period which included the worst stock market performance episodes in modern history.

Nonetheless, in recognition of the historically bad market conditions, the RSA has worked with the Legislature to help it make changes to our system to improve its sustainability. The RSA is ever mindful of its legal and moral responsibilities to its members and the public, and, in tandem with the Legislature, continually seeks to improve and strengthen its operations.

Specifically, the RSA is committed to working with the newly formed Joint Committee on Alabama Public Pensions, a legislative committee tasked with studying RSA pension benefits. The RSA looks forward to working with the Committee to examine ways to further enhance the soundness of the RSA. ●

## Senator Arthur Orr Does What I Could Not

BY DAVID G. BRONNER

Over the years, I have tried to point out to both the public and the Legislature that the Judicial Retirement Fund (JRF) for justices and judges was too costly for the state and an unsustainable retirement plan. I even objected when the JRF was created in 1973 that the plan was designed to offer benefits that were way too rich and would make the plan unaffordable for the state.

During the 1979 regular session, we were able to change the JRF retirement benefits from 75% of current judicial salaries to 75% of the retired judge's final salary, but were unable to make any other reforms.

Under the JRF, justices and judges receive an annual lifetime retirement benefit of 75% of their final salary. The employer contribution rate for fiscal year 2016 is 40.98% of payroll with a total cost of \$18.4 million to the state and the court system. With only 337 active members, this is a high cost plan and desperately in need of reform from its inception. In 2014, the JRF paid out \$29.8 million in retirement benefits to 374 retirees.

In 2012, the Legislature enacted substantial reforms to the Teachers' Retirement System and the Employees' Retirement System. Ultimately, these reforms lowered

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## Senator Arthur Orr Does What I Could Not

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the retirement benefit for all new employees and helped lower the employer cost for the plan. I tried to push through similar reforms for JRF, but failed.

During the past regular session, Senator Arthur Orr took interest in judicial reform and was able to accomplish what I had not been able to do since 1973! He was able to pass a bill that will reform JRF, contingent on the passage of a constitutional amendment this fall, making the retirement benefits more reasonable and the plan more affordable.

For that, I would like to offer my congratulations to both Senator Orr and the Legislature for ensuring the future financial soundness of the JRF. ●

## Editorial

The articles in the July 2015 *Advisor* were intended to alert the RSA membership, especially ERS members, to what is perceived as a move by the political segment of the ERS Board to exert more influence over the day-to-day operations and investment practices of the RSA staff. This is concerning because historically the ERS and TRS have been primarily governed by board members who had been elected by the ERS and TRS membership, and who have a vested interest in maintaining both the financial soundness and operational integrity of the systems.

The ERS Board is much more susceptible to political influence than the TRS Board because the Governor's appointees and elected public officials constitute a majority of the Board, while state and local active members and retirees are in the minority.

At this time, it is of vital importance that all members of the RSA be vigilant regarding the retirement and health insurance programs that provide for your financial security. Members and the organizations that represent you, ARSEA, ASEA, AERA, and AEA, must stay involved in the ongoing political process as it affects your benefit programs. Collectively, we can act as a united front to protect our valuable benefits, earned through years of faithful public service for the citizens of Alabama. ●

## A Recipe for Disaster

BY DAVID G. BRONNER

During my time as CEO, the RSA has had an investment advantage that some other public pension funds do not have: Its professional investment staff makes the day-to-day investment decisions. In other words, under the laws creating the TRS and ERS, the Boards set investment policy to guide the professional staff in what types of investments to make (stocks, bonds, real estate, etc.) and review the investments only to make sure they comply with the investment policy. The Boards have never picked RSA's investments.

Having a professional investment staff that works full-time every day picking investments for the RSA has resulted in an average 11% return on your money for the last five years. Both the ERS and TRS returns were in the top 25% for pension funds for the last five years and the top 13% for the last three years! Another big advantage of having an in-house professional staff is that RSA has, by far, the lowest investment expenses of any of the other state public pension funds. All this means more money to pay your benefits.

Lately there has been a disturbing

change in the way that certain members of the ERS Board approach their role. The language creating the ERS Board's newly formed "Investment Management Committee" indicates that members may approve or disapprove whether ERS staff is allowed to make certain investments, even if those investments are within the Board's investment policy. The ERS Board should make it their business to craft a sound investment policy, monitor ERS investment performance and stay informed about what is going on. But it is not in their best interest – and, most importantly, not in YOUR best interest – to substitute their investment judgment for the full-time professional staff.

WHY is this so very important? Some of RSA's top performing investments would have been rejected by past finance directors. The RSA has made well over a BILLION dollars of profit on its investment in the second largest office building in America, but at the time of the investment 20 years ago, the finance director didn't like it because it was "way off" in New York City. So while Board members may be knowledgeable about finance,

picking investments for RSA is not their full-time job. Allowing people other than your professional staff to pick investments also could open the door in the future for politics to play a corrupt role in investment decisions.

Even though this change in approach has not occurred on the TRS Board, which is, not coincidentally, made up of mostly representatives elected by members, it could also harm RSA's ability to make the best investment decisions for members of the TRS. The RSA staff jointly invests the assets of the TRS and ERS. Differences in investment policies, selections and procedures make it much harder to administer the funds and increase the cost of investing for everyone.

When I came to the RSA, the TRS had \$350 million – today it has \$23.0 BILLION. The ERS had \$150 million – today \$11.1 BILLION. During this same time period, the TRS paid out \$27.9 BILLION and the ERS \$12.9 BILLION in retiree benefits. Members of the TRS and ERS must stay actively involved or suffer the consequences. ●

# Gutsy Gamble on Bold Initiative Rejuvenated Shoals' Tourism Industry

EDITORIAL | TIMESDAILY

**M**any of the hundreds of Marriott Shoals employees who banded together Wednesday afternoon to form a giant number 10 in honor of the hotel's anniversary probably weren't around more than a decade ago when the tough work of selling the idea was underway.

It was a sales pitch fraught with political repercussions for those community and government leaders gutsy enough to support a bold initiative to make the Shoals area a destination point for tourism.

The idea germinated from necessity – the realization that the glory days of the Shoals being a destination point for many of the world's greatest musicians had dimmed. A new attraction was needed if the area was to continue to draw tourists.

Hoping to tap into the success of the Robert Trent Jones Golf Trail, which had been in operation since 1992, local leaders reached out to the man who conceived the idea for the golf trail – David G. Bronner, chief executive officer of the Retirement Systems of Alabama.

Bronner sent them a long punch list of things that had to happen before RSA would be interested in making the Shoals another stop on the popular golf trail.

The list was daunting, but doable. Success would, however, depend upon something more than willpower. The leaders of all four communities in the

Shoals would have to sell the concept to their respective constituents, as a two-cent gasoline tax in Lauderdale

“Vote ‘em Out” campaign aimed at those politicians who dared to back the plan.

Thankfully, most of those in office were willing to look past the political challenges and focus on the long-term economic benefits for the entire Shoals area.

In hindsight, their gamble has paid off handsomely. The Shoals got two championship-caliber courses that draw thousands of avid golf fans to the area each year. And Florence became home to a grand hotel that has become a magnet for tourism, and an economic engine for the area.

“The Marriott Shoals Hotel, along with the Robert Trent Jones golf courses, immediately changed the Shoals market forever,” said Steve Holt, president of the Shoals Chamber of Commerce.

The numbers support that view.

Since the Marriott Shoals opened 10 years ago, seven other hotels have been built in the area. The leisure and hospitality industry employs nearly 1,000 more people today than it did in 2004. The Marriott Shoals alone has paid \$40 million in wages in those 10 years.

Best of all, with more than 700,000 guests having stayed at the Marriott Shoals since it opened, the Shoals can once again boast of a reputation as a tourist destination. ●



MARRIOTT SHOALS HOTEL & SPA



RTJ AT THE SHOALS

and Colbert counties would be needed to generate funds to pay off the bond debt. It was estimated the gas tax would remain in place for about three decades.

Critics of the tax hike mounted a

# Fall Is The Perfect Getaway Time at RSA's Outstanding Hotels, Spas, and RTJ Golf

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MONTGOMERY, ALABAMA 36130-2150

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Member Hotel  
Discounts Webpage

ENJOY YOUR FALL  
A Special Deal  
FOR RSA MEMBERS

#### The Battle House,

#### A Renaissance Hotel – Mobile – \$109

- August 4-27, 30-31 • September 1-3, 8-20, 25-27
- October 1, 4, 8-31

#### The Renaissance Riverview Plaza – Mobile – \$99

- August 1-12, 16-28 • September 3, 8-30
- October 1, 4-12, 16-20, 23-31

#### Marriott Grand – \$109 plus a 15% resort fee

- August 9-12, 16-18, 21-24, 28-30
- September 2-3, 7-9, 20, 27-28 • October 4-8, 11-13

#### Marriott Grand – RSA Golf Package – \$179

#### plus a 15% resort fee – Promotional code–R2A

Includes: Deluxe Room, One Round of Golf for Two People. Call for Tee Times after booking package

- August 9-12, 16-18, 21-24, 28-30
- September 2-3, 7-9, 20, 27-28 • October 4-8, 11-13

#### Marriott Shoals – Florence – \$99;

#### Breakfast Package \$124

- August 2-3, 13, 16-17, 23-24, 27, 30
- September 6, 13, 20, 27-28
- October 4-5, 8, 18-19, 22, 25-26

#### Renaissance Ross Bridge – Hoover – \$109

- August 2-12, 16-17, 21-27, 30-31
- September 6-9, 13-16, 20, 27-28
- October 4-5, 7-8, 11, 22, 25-26, 31

#### Opelika Marriott – \$99

- August 2-4, 12, 13, 16-20, 23-26, 30-31
- September 3-7, 13-14, 20-23, 27
- October 4, 9-11, 14-15, 27-28

#### Prattville Marriott – \$89

- August 1-10, 13-18, 31
- September 4-5, 10, 12, 18-22, 27-29
- October 1-6, 11-13, 18-19, 21, 28-31

#### Renaissance Montgomery – \$109

- August 2-13, 16, 19-23, 30-31
- September 1-2, 6-7, 13, 27-30
- October 11-17, 23-25, 31

#### RSA Spa Package – \$189 – Promotional code–R2A

- August 4-8, 11-13, 19, 22
- September 1-2, 10, 29-30
- October 13-17, 23-24, 29, 31

Specific room requests may require additional charge.  
Rates available the 1st of the month and are not applicable to groups.

800-228-9290 Ask for RSA rate. **Promotional Code: R2A** on [www.rsa-al.gov](http://www.rsa-al.gov)  
**Book Online and Save RSA \$4.**

## ERS and TRS Board of Control Elections

Congratulations to Mr. David B. Bollie, Mr. Ben Powell, and Mr. James (Jimmy) Rowell on their re-election to the ERS Board of Control. David B. Bollie was unopposed for the Active State Employee Position No. 2, and Ben Powell was re-elected to the Active Local Employee Position No. 2. Their four-year terms will begin on October 1, 2015. James (Jimmy) Rowell was re-elected to the Retired State Employee Position and will begin his three-year term on October 1, 2015.

Candidates are being sought for six TRS Board of Control positions for the October election: Teacher Position No. 1, Teacher Position No. 2, Support Personnel Position No. 1, Retired Position No. 1, Postsecondary Position, and Higher Education Position No. 1. If you are eligible and interested in running for any of the above positions, candidate forms are available on our website at [www.rsa-al.gov](http://www.rsa-al.gov) or contact the Elections Coordinator Deborah Kirk at 334.517.7192 or 877.517.0020. The completed forms must be returned to the TRS office no later than 4:00 p.m., September 7, 2015.

## ERS and TRS Retirement Seminars

Planning for retirement? An informative first step is to attend an ERS or TRS Retirement Preparation Seminar this year. We have several open dates from September through December. Visit the RSA website at [www.rsa-al.gov](http://www.rsa-al.gov) and click on the ERS or TRS Planning for Retirement web pages and begin planning for your retirement with confidence.



### 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



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