



# The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



## The 30 day countdown to Alabama losing \$375 million

The federal government will pay the Medicaid funds quarterly. Thus, you lose the first quarterly payment if you do not join the program before year-end. Waiting until after the 2014 election would cost the state \$1.5 billion.

## 2013—A Great Year

By Marc Green, CIO

	ANNUALIZED			
	1 Year	Last 3 Years	Last 5 Years	Last 10 Years
<b>Total Portfolio</b>				
TRS	14.93%	11.45%	6.68%	6.29%
ERS	14.60%	11.40%	6.17%	5.97%
JRF	14.05%	10.89%	8.74%	7.06%

Fiscal year 2013 ended on a strong note with stocks moving substantially higher throughout the year. The total returns for the TRS, ERS, and JRF were 14.93%, 14.60%, and 14.05% respectively. These results ranked the funds in the 26th percentile of the State Street Public Funds Universe for the one-year period and the top quartile for the past three years.



As we have been expecting, interest rates finally started to rise and our decreased exposure to fixed income, as well as good results in the private placement and the equity portfolio, lead to our outperformance. Overall, the markets have been climbing the wall of worry after the “great recession,” and 2013 was no different. Macro issues have continued to cause angst and worry that has weighed on market sentiment. We see this trend continuing. ■

## “Merry Christmas” But My Head Hurts

By David G. Bronner

The thought of Alabamians opposing Medicaid expansion makes my head hurt. How can our business community do nothing over the next 30 days and allow \$375 million to disappear? How can we sit idle and let Governor Bentley lose Alabama \$1.5 billion per year in our economy for three years at no cost to the taxpayer?

Medicaid expansion allows the federal government to return to Alabama \$4.5 billion over the next three years at ZERO COST to us. The UAB study by David Becker and Michael Morrissey (<http://www.soph.uab.edu/beckermorriseymedicaidstudy>) shows that IF Alabama stays in the program through 2020, Alabama’s cost would total \$771 million (6.2%) of the estimated \$12.5 billion in new Medicaid program costs over the 2014-2020 period. The \$11.7 billion in program costs financed by the federal government is an increase in direct revenues to health care providers.

The study projects that the increase in Medicaid spending would generate \$1.7 billion in additional state tax revenues during this same time period. Net of Alabama’s costs, Medicaid expansion would increase the state budget by approximately \$935 million.

Hello? Alabama comes out way ahead to the tune of \$13 billion-\$15 billion.

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### ROBERT TRENT JONES GOLF TRAIL MILESTONE

## 10 million rounds OF SUCCESS ACROSS STATE

Alabama’s renowned Robert Trent Jones Golf Trail is recognized as one of the finest tours of public golf in the world. The Trail just celebrated its 10 millionth round of golf since opening 21 years ago.

The Trail features 468 holes of championship golf on 26 separate courses at eleven locations across Alabama. Known as “America’s Original Golf Trail,” the golf course designs were started by Robert Trent Jones after coming out of retirement and have continued with Roger Rulewich, Jones’s protégé.

The original courses opened in 1992 and additional courses have been added over the years. Prior to the Trail’s opening, Alabama tourism revenue was under \$2 billion. In 2012, tourism revenues exceeded \$10.6 billion and the Golf Trail was the state’s top attraction.

# GOP Governors Support Medicaid Expansion

By E.J. Dionne, *Washington Post*

Ohio Gov. John Kasich, a one-time scourge of labor unions who was a top lieutenant in Newt Gingrich's revolution in the 1990s, has endeared himself to liberal and low-income Ohioans by insisting, loudly and incessantly, that his state participate in the Medicaid expansion under Obamacare.

An unapologetic conservative is fighting the tea party and his own Republican legislature because he thinks the less privileged people of Ohio deserve health coverage.

Kasich's witness is important as an expression of his commitment to a form of evangelical Christianity that places a high priority on the poor. The governor told the *Wall Street Journal* last month of an encounter with a state legislator who disagreed with him on Medicaid. At heaven's door, Kasich preached, St. Peter is "probably not going to ask you much about what you did about keeping government small. But he is going to ask you what you did for the poor."

At a moment when the Beltway wing of the GOP is on the verge of shaking the economy to its foundations in an effort to block Obamacare, there's also a political lesson to be drawn from Ohio and from other states where Republican governors have embraced the expansion of Medicaid, which is a central component of the Affordable Care Act.

Just last week, Rick Snyder, Michigan's Republican governor, signed a Medicaid expansion bill with an explanation that President Barack Obama himself would endorse. "This is about the health of fellow Michiganders," Snyder said. In Pennsylvania, Gov. Tom Corbett once excoriated Obamacare but said he'd go along with a modified expansion. Another half-dozen Republican governors have also supported enlarging Medicaid, among them Chris Christie in New Jersey, Jan Brewer in Arizona and Susana Martinez in New Mexico.

These chief executives usually follow the party line in being critical of the health law in principle. But they have responsibilities that the radical ideologues in Washington don't have — to their local hospitals, to their economies and, yes, to their constituents among the working poor who now lack insurance. They

understand the difference between "Obamacare" as a right-wing bogeyman and the Affordable Care Act as a reality.

In Ohio, another of Kasich's new allies on Medicaid is Columbus Mayor Michael Coleman. The first African American to lead the city, Coleman proudly describes himself as a "pro-business Democrat," a coalition builder and an advocate of school reform. "Kasich and I don't agree on too much," Coleman, the 14-year incumbent, told me. "But on this one, he's right."

Like many Americans in the middle of the country, the mayor finds Washington's current antics entirely strange. He's especially impatient with ideologues whose views are based on a sweeping anti-government philosophy instead of pragmatic thinking about what efficiently run government can achieve.

"Those people who talk that way have no real-life experiences," Coleman said. The mayor then issued an invitation to a hypothetical congressional dogmatist — "Mr. Philosophizer," he called him — to walk his city's neighborhoods with him to learn about the problems of flesh-and-blood citizens.

Tea-party "philosophizers" in Congress really should accept Coleman's invitation. Seen from the ground, expanding health coverage is at once a practical and compassionate goal. Practicality and compassion are both missing in the manufactured rage against the abstraction known as "Obamacare."

(Editor's note: In the last *Advisor* we referred to Kentucky Gov. Beshear as a Republican. He is a Democrat.) ■



**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

## Big Boost for Sandy-Ravaged Water St.

By Steve Cuozzo, *New York Post*

Continuing an epic recovery from the effects of Hurricane Sandy, mammoth 55 Water St. — the city's largest office building and the second-largest in the US — has signed a lease with the city's Health and Hospitals Corp. for 240,000 square feet, sources told *The Post*.

The move will allow HHC to consolidate from several locations around town.

The deal leaves a mere 30,000 square feet available of the 53-story tower's total 3.8 million. Some of the space to be taken

by the agency will be vacated in 2015 by Depository Trust Co., which is moving most of its offices to New Jersey.

It's good news not only for the tower's owner, Retirement Systems of Alabama, but for downtown and especially the Water Street corridor, which was near-devastated by the storm and where signs of damage still remain visible.

After Sandy flooded 55 Water St.'s lower floors with around 40 million gallons of sea water last fall, the landlord spent up to \$100 million to restore it

to use and to safeguard it against future flooding. ■



# ERS Local Units are Responsible for Their Former Employees' Retirement Benefits

Recently, the Employees' Retirement System of Alabama (ERS) informed a withdrawn local unit, the North Baldwin County Health Care Authority (the Authority), that their retirement fund was depleted and ERS could no longer pay benefits to the Authority's retirees. Since then, the Authority has paid money into their retirement account so that ERS could continue to pay its retirees, at least temporarily.

Local county, city, public or quasi-public employers who choose to join ERS and have it administer their retirement funds are governed by the provisions of § 36-27-6, Code of Alabama, 1975. That statute mandates that the local unit is solely responsible for the funding of its retirees' benefits.

Specifically, it provides that "[n]otwithstanding anything to the contrary, the retirement system [ERS] shall not be liable for the payment of any pensions or other benefits on account of the employees or pensioners of any employer under this section, for which reserves have not been previously created from funds contributed by the such employer or its employees for such benefits."

§ 36-27-6(i).

In this case, the Authority was a quasi-public local entity which joined ERS pursuant to these provisions in 1991 and subsequently withdrew from participation in ERS in 2001. Section 36-27-6(j)(4), which governs the treatment of withdrawn local units, provides that the withdrawn unit "shall agree ... to maintain the reserves...for the existing beneficiaries." It also states that "[s]hould the reserves (of a withdrawn unit) prove inadequate, such employer shall agree to appropriate such amounts as may be necessary to maintain the existing benefits."

It is important that retirees of local units who join ERS realize that the employer is liable for their retirement benefits, even after the local unit withdraws from the system. The staff of ERS is ready to answer any questions retirees may have concerning the liability of participating local units. They may call ERS toll-free at 877-517-0020. Retirees may also want to contact their former employer to discuss the funding status of their benefits. ■

## "Merry Christmas"

(continued from pg.1)

In addition to generating \$20 billion in new economic activity, approximately 232,000 individuals would become insured. By using federal funds to assist our state's poor citizens, the women, children, disabled, and elderly who fall into this group will continue to have medical care.

Did you know that some hospitals WILL LOSE current reimbursement for the poor when Alabama does not accept Medicaid expansion? That alone will result in the closure of some rural hospitals, devastating communities that depend on those facilities. From an economic standpoint, it will be almost impossible to recruit jobs to a county without a hospital. Note the domino effect.

The uninformed argue that this is just another "entitlement" as if completely unaware that taxpayers are already paying for the poor and uninsured. Now we are being given the chance for federal funds to pay the costs and that is bad?

Our past governors have traveled the world to find companies to locate here. Alabama has paid hundreds of millions of dollars for a mere 1,000 jobs. Industrial recruitment has been absolutely critical to Alabama's development. Yet when another study funded by the Alabama Hospital Association ([www.alaha.org](http://www.alaha.org)) says Medicaid expansion will create 30,700 JOBS OVER SEVEN YEARS, our "Doc" Governor claims the study is bogus.

That is nonsense and raw politics at its worst. If the study is only 50% or even 25% correct, this would STILL be our largest job creation since the government brought a "Rocket Doc" to Huntsville after WWII, without spending hundreds of millions

of Alabama tax money for the jobs.

Alabama's "Doc" Governor will continue to state in the months to come how "...he has saved us taxpayers a billion dollars," without mentioning that he has done so on the backs of our public employees. Remember, as he refuses Medicaid expansion, he has wasted \$4.5 billion dollars and thousands of jobs. That is shameful – all because of putting his political agenda ahead of what is good for Alabama. ■

## Alabama's Per-Pupil Spending Has Dropped 20 Percent Since 2008

By Brian Lyman, *Montgomery Advertiser*

Education spending cuts by state, as percentage of budget: 2008-present

1. Oklahoma: -22.8 percent
2. **Alabama: -20.1 percent**
3. Arizona: -17.2 percent
4. Kansas: -16.5 percent
5. Idaho: -15.9 percent

Education cuts as per-pupil spending: 2008-present

1. **Alabama: -\$1,242**
2. Wisconsin: -\$1,038
3. Kansas: -\$950
4. Idaho: -\$930
5. New Mexico: -\$874

Source: Center on Budget and Policy Priorities

Alabama's per-pupil spending has fallen more than 20 percent since 2008, according to a report issued by the Center on Budget and Policy Priorities.

# It is Time To Have Fun and Enjoy the Family Plan Your Holidays for Our Hotels, Spa, and Golf

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A Special Deal  
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**The Battle House,  
A Renaissance Hotel – Mobile – \$109**  
• December 1-30 • January 1-2, 6-7, 12, 31  
• February 1, 9-13, 16-20, 24

**The Renaissance Riverview Plaza – Mobile – \$99**  
• December 1-30 • January 1-2, 6-7, 12, 31  
• February 1, 9-13, 16-20, 24

**Marriott Grand – \$109** plus a 15% resort fee  
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• January 1-2, 5-9, 12, 19-23, 26-30  
• February 2-6, 9-13, 16-20, 23-25

**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  
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• January 1-2, 5-9, 12, 19-23, 26-30  
• February 2-6, 9-13, 16-20, 23-25

**Marriott Shoals – Florence – \$99**  
• December 1, 8, 22-28  
• January 1-5, 12, 19, 26  
• February 2, 16, 23

**Renaissance Ross Bridge – Hoover – \$109**  
• December 1-5, 7-13, 15-31  
• January 1-2, 5-9, 12-13, 16, 19-20, 26-29  
• February 2-6, 9-13, 16-17, 20, 23, 26-27

**Opelika Marriott – \$99**  
• December 1-12, 15-31 • January 1-31  
• February 1-5, 8-13, 16-18, 20-28

**Prattville Marriott – \$89**  
• December 1-4, 6, 8, 11-31  
• January 1-7, 9-13, 16-20, 24-26, 28-31  
• February 1-2, 9, 12, 16-18, 23-26

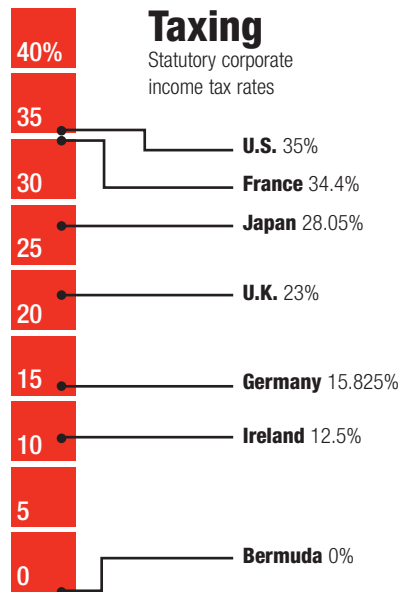
**Renaissance Montgomery – \$109**  
• December 7-8, 13-15, 18-31  
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• February 1-2, 9

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## States receiving the most federal funding per tax dollar paid:

1. New Mexico: \$2.63
2. West Virginia: \$2.57
3. Mississippi: \$2.47
4. District of Columbia: \$2.41
5. Hawaii: \$2.38
6. **Alabama: \$2.03**
7. Alaska: \$1.93
8. Montana: \$1.92
9. South Carolina: \$1.92
10. Maine: \$1.78



Note: Top marginal rates used in each case.  
Source: Org. for Economic Cooperation and  
Development; Deloitte (Bermuda)  
The Wall Street Journal

# The ADVISOR

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