

Investment results as of 3/31/2017 put the TRS in the top 3% of pension funds over \$1 billion for the last 3 and 5 years, and the ERS in the top 8% for 3 years and top 6% for 5 years.

The 2016 TRS Actuary Results

BY CAVANAUGH MACDONALD

Tier I	September 30, 2016 Valuation
Total Normal Cost Rate	9.70%
Less Member Rate	<u>7.50%</u>
Employer Normal Cost Rate	2.20%
Administrative and Death Benefit Rate	0.36%
Rate to Amortize UAL	<u>9.85%</u>
Total Employer Rate	12.41%
Tier II	
Total Normal Cost Rate	7.14%
Less Member Rate	<u>6.00%</u>
Employer Normal Cost Rate	1.14%
Administrative and Death Benefit Rate	0.36%
Rate to Amortize UAL	<u>9.85%</u>
Total Employer Rate	11.35%
Actuarial Accrued Liability	\$33.1 billion
Actuarial Value of Assets	\$22.6 billion
Unfunded Accrued Liability	\$10.5 billion
Funded Ratio	68.3%
Amortization Period	29.2 Years

NOTE: Employer (taxpayer) cost is only 1.14% for Tier II. The member is paying 84% of his or her benefit.

The ERS results for 2016 will be coming this summer. ●

This is Unbelievable

BY DAVID G. BRONNER

The current state Finance Director, Clinton Carter – a Robert Bentley appointee – made a shocking suggestion on how to use YOUR pension funds in a TRS board meeting last week. Mr. Carter suggested that YOUR pension funds be used to **guarantee state bond debt!** In other words, he suggested that **if the state failed to pay its billions of dollars of debt, YOUR retirement fund would be used to pay it off.**

Mr. Carter, by virtue of his current position, is on both the TRS and ERS Boards of Control. More importantly, he sits on the three-member Investment Committee of each system. As a trustee member of the Board and the Investment Committee, Mr. Carter has a legal duty to make sure your investments are performing well and that your retirement systems are sound.

While Deputy Finance Director and Finance Director, Mr. Carter has had a history of pushing for the state to borrow money and issue bonds to fund his pet projects. When state bonds are issued, people involved in issuing the bonds make a LOT of money off the state. When he was Deputy Finance Director, his idea was to use state bonds to buy the RSA's Montgomery buildings at a major discount, but the plan was vetoed by RSA staff.

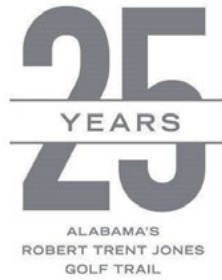
Just recently, Mr. Carter decided the State Health Department needs new facilities – oh yes, paid for with state bonds – forgetting the RSA Tower was built specifically for them. His plan will cause the RSA to lose rent payments from the Health Department and hurt RSA's real estate investment performance.

Last legislative session, he pushed a bill to give RSA members part of their pension benefit as a lump-sum at retirement and, of course, his plan was to be funded by more bonds that would be paid by RSA employers. It failed to get approved. He also thought state employees needed another parking deck for \$25 +/- million – of course, funded by more bonds. It also failed to pass.

This is the same Mr. Carter who, when employed by the University of North Alabama (UNA), lobbied to drop the RSA pension plan program in favor of a 401(k)-type plan for UNA employees, while handing RSA's members the bill for UNA's unfunded liability of \$56 million for past obligations. Fortunately, that attempt failed as well.

If you care about your pension, you should pay close attention to the unbelievable scheme proposed by Mr. Carter at the last TRS Board meeting. **Mr. Carter suggested that the RSA use YOUR money that YOU put into the system and the money your employer put in YOUR account for your work to guarantee payment of the state bond debt.** This might cause state bonds to be rated higher and make them easier to sell – and for someone (NOT RSA members!) to make a lot of money.

Although he proposed paying the RSA a small fee for using YOUR money, it is truly unbelievable for a fiduciary trustee to even think about, much less suggest that risky scheme for consideration. Gov. Ivey and the people of this state deserve a Finance Director who helps make your pensions sound, not one who intentionally hurts the RSA and puts our pension funds at risk. ●



Robert Trent Jones Golf Trail Celebrates 25 years

BY WILLIAM THORNTON | AL.COM

It's been 25 years since Alabama opened the Robert Trent Jones Golf Trail – a project now involving 26 golf courses in 11 locations.

The numbers are staggering. The Trail hosts more than 1,100 events each year. Almost 12 million rounds of golf have been played on the courses. More than half a million golfers play on the Trail each year. It hosts visitors from all 50 states and an average of 20 foreign countries. With that in mind, a 25th anniversary celebration kicked off in June at the Silver Lakes course near Glencoe, and Magnolia Grove in Mobile, with golfers enjoying a \$25 round of golf for a day.

The string of golf courses was developed by the Retirement Systems of Alabama, with a construction crew of more than 700, building 18 courses at seven locations over a four year span – from 1990 to 1993. “Anyone who has ever developed and built one golf course knows how ridiculous it would be to even attempt something of this scale,” said John Cannon, president and CEO of Sunbelt Golf Corp., who directs the RTJ Trail’s development and management.

David Bronner, head of Retirement Systems of Alabama, said the Trail was meant to change the state’s narrative. At the time, Alabamians might have said the state had potential, but “never does anything,” he said. But that got state officials to thinking. “If we created something in the state of Alabama that the rest of the United States doesn’t have, that being the Trail, could we get tourism and industry to look at us and come to us that wouldn’t have otherwise?” he said. When the Trail started, it was a \$1.8 billion industry, Bronner said. “Now, it’s an annual \$12.6 billion industry for Alabama.”

Currently, major renovations and upgrades have taken or are taking place at the seven original sites in Birmingham, Huntsville, Auburn/Opelika, Mobile, Dothan, Calhoun County, and Greenville. And all 11 sites have received upgrades and renovations. Over the next year, all 36 greens at Lakewood Club in Point Clear will be resurfaced alongside a new practice facility and short-game area.

Other courses on the trail are offering a round of \$25 golf in the coming weeks:

Highland Oaks – Dothan – Thursday, July 13

The Shoals – Muscle Shoals – Thursday, July 20

Cambrian Ridge – Greenville – Friday, Aug. 4

Capitol Hill – Prattville – Monday, Aug. 7

Ross Bridge – Hoover – Monday, Aug. 14

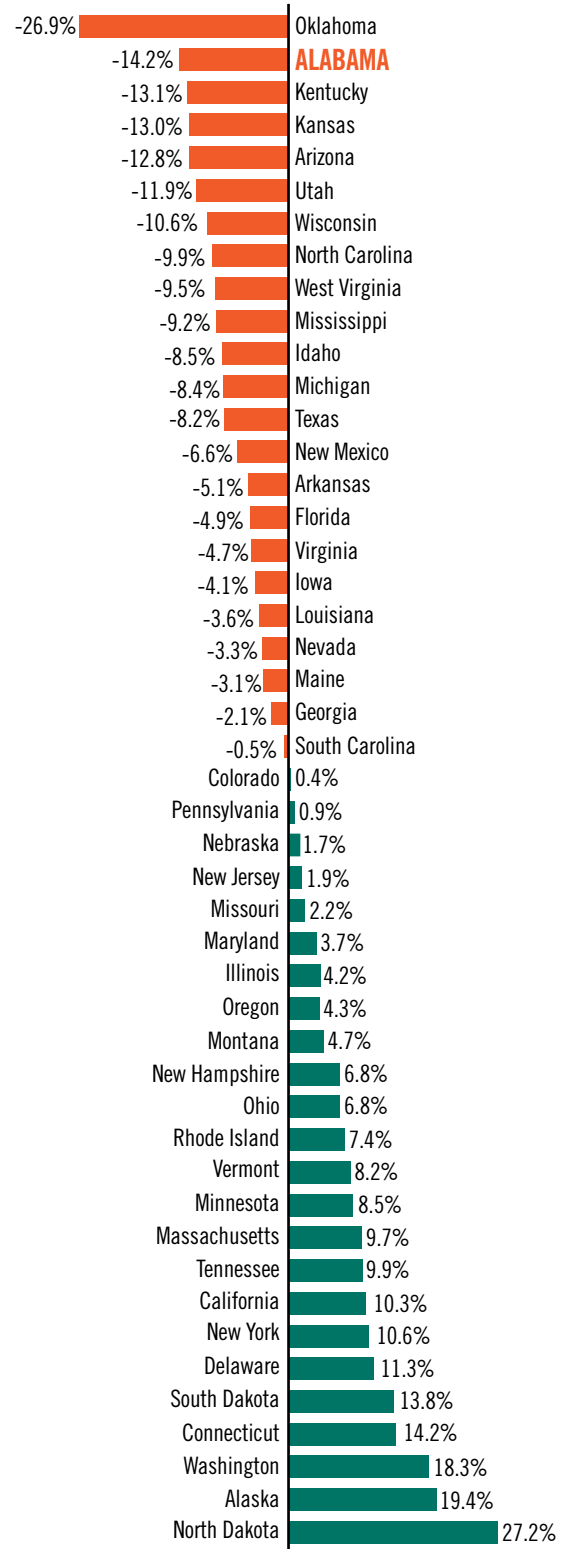
Grand National – Auburn/Opelika – Thursday, Aug. 24

Oxmoor Valley – Birmingham – Thursday, Aug. 31 ●

The Education Funding Crisis

Source: Governing Magazine

State general funding per student is still lower than 2008 levels in 23 states. What follows is the percent change in state formula funding per student, inflation adjusted, for fiscal years 2008–2017.



NOTE: General or formula funding is the primary form of state K-12 funding. States also typically provide revenue for other, more specific purposes, such as bus transportation and contributions to school employees and pension plans. Hawaii, Indiana, and Wyoming are excluded because the data necessary to make a valid comparison are not available.

Source: Center on Budget and Policy Priorities

What Teachers Need to Know about AEA's Lawsuit against PEEHIP

EDITORIAL

A recent analysis issued by the U.S. Department of Health and Human Services showed that health insurance premiums in the individual marketplace in Alabama **tripled** between 2013 and 2017. These increases have placed a terrible burden on Alabama citizens who have no other option to obtain healthcare coverage for their families.

Alabama teachers and education professionals have not been subject to these huge insurance premium increases because they are eligible to participate in PEEHIP. PEEHIP is a self-funded group health plan. This means that the Legislature and the PEEHIP participants put money into a fund from which all covered medical and pharmaceutical claims are paid. The plan, which is run by the RSA, cuts out the middle man and delivers healthcare in the most efficient and economical way.

Rising healthcare costs forced the PEEHIP Board to raise premiums last year despite the Legislature's increased funding of PEEHIP in recent years. Although the Board never wants to increase costs to members, these PEEHIP premium increases were absolutely critical to keep the program viable in coming years and make sure there is enough money in the PEEHIP fund to pay healthcare expenses for teachers and their families when needed. The amount of the increase represented only a fraction of that experienced by individuals seeking insurance coverage in the marketplace in Alabama.

Rather than recognizing the work that the PEEHIP Board and staff have done to keep costs as low as possible, the Alabama Education Association (AEA) has ignored the economic realities of rising medical and drug costs and used your dues to sue the PEEHIP Board seeking to overturn

the premium increases and refund the money to PEEHIP participants.

The lawsuit, which is currently pending, is without merit and has caused the premium increases to be segregated into a separate fund that is not available to PEEHIP to pay your medical expenses. The inability to access these funds has not yet hurt the PEEHIP plan, but if the situation continues, it could cause very significant problems in operations.

AEA is funding this senseless litigation and paying lawyers to sue your healthcare plan with the dues you pay them. The litigation also causes PEEHIP to have to pay its lawyers to defend it from the only money available to it – the fund that pays for your healthcare. Every dues paying member of AEA should know how their dues' money is being spent. ●

Drug Cost = Pain

BY JOSEPH WALKER, *THE WALL STREET JOURNAL*

Carole Siesser, a retiree in Delray Beach, Fla., started taking a bone-growth drug made by Eli Lilly & Co. after she fell and fractured her spine. After two years, the medicine helped to heal her back. It also cost her \$5,600 of her own money to help cover the roughly \$26,000 annual price, even though she has Medicare.

"They really take advantage of the seniors," Ms. Siesser, 79, said of pharmaceutical companies. "There's no competition, so they can charge what they want."

An analysis of government data by *The Wall Street Journal* found expensive medicines are increasingly denting the pocketbooks of seniors and other beneficiaries in Medicare's prescription-drug program, known as Part D, despite federal legislation meant to reduce out-of-pocket costs and drugmakers' increasing discounts.

The median out-of-pocket cost for a drug purchased through Part D was \$117 in 2015, up nearly half from \$79 in 2011, in inflation-adjusted dollars, the *Journal's* analysis found. The analysis excluded low-income patients whose copays are paid primarily by the government. Some

220 Part D drugs had annual out-of-pocket costs of \$1,000 or more in 2015, up 86% from 118 drugs in 2011.

Factors driving the trend include sharply rising drug prices, which grew by an average 14% a year from 2011 to 2015, and the introduction of new medicines with prices that commonly exceed \$50,000 annually, according to the *Journal's* analysis. In addition, the complicated design of Part D requires patients to pay a percentage of their drugs' total retail price, a particular burden for those who use expensive medicines.

"We agree that the pain patients are experiencing with drug prices is real and serious," said Jane Norris, a spokeswoman for the Centers for Medicare and Medicaid Services, in a statement. "Enhancing competition and eliminating unnecessary government regulation are important steps that will also help resolve the drug pricing issue."

Medicare patients taking high-price drugs don't benefit directly from the rebates that pharmaceutical companies often give to insurers. Instead, patients pay a portion of the drug's sticker price

at the pharmacy, "without regard to rebates and other price concessions," CMS said in January. Rebates and discounts totaled \$23.63 billion, or 17.2% of gross drug costs, in 2015, up from \$9.76 billion and 11.5% of gross costs in 2011, according to CMS.

"There are a lot of patients who aren't able to afford prescription drugs in Medicare," says Tim Gronniger, who oversaw drug-spending issues as deputy chief of staff at CMS until he left this past January. "That's a big problem, and it's gotten worse over the last couple of years," he says. Instead of using rebates to reduce patients' cost-sharing on expensive drugs, insurers use them to reduce monthly premiums for all beneficiaries, according to CMS and health insurers. "How savings are delivered to the consumer shouldn't distract from the fact that savings are delivered to the consumer," says Cathryn Donaldson, a spokeswoman for America's Health Insurance Plans, an industry trade group. The discounts that insurers receive from drugmakers "are passed on to

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The Renaissance Riverview Plaza—Mobile—\$99

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- September 3-7, 10-11, 14-19, 22-30

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

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- August 6-9, 13-15, 20-22, 27-28
- September 4-5, 17, 24-26

Marriott Shoals—Florence—\$99;
Breakfast Package \$124

- July 6, 9, 16, 23, 30 • August 6, 10, 13, 20, 27
- September 4, 7, 10, 17, 24

Renaissance Ross Bridge—Hoover—\$109

- July 2-6, 9-13, 16-20, 23, 26, 30
- August 1-3, 6-8, 10-14, 16-18, 20-23, 25, 27-31
- September 4-7, 9-21, 23-24, 28

Opelika Marriott—\$99

- July 9-10, 13, 16, 23-24, 30-31
- August 1-3, 13-17, 20-24, 27-31
- September 4-6, 10-11, 17-18, 24-25

Prattville Marriott—\$89

- July 1-10, 16-17, 23-25 • August 6-7, 13-21, 30-31
- September 2-7, 10-11, 17-18

Renaissance Montgomery—\$109

- July 1-3, 7-8, 23, 27, 30-31
 - August 1-3, 6-7, 11-13, 21, 23, 31
 - September 3-4, 9-10, 13-17, 23-24
- RSA Spa Package—**\$189—Promotional code—R2A**
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Specific room requests may require additional charge.
Rates available the 1st of the month and
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800-228-9290 Ask for RSA rate. **Promotional
Code: R2A** on www.rsa-al.gov
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Drug Cost = Pain

CONTINUED FROM PAGE THREE

members,” including through “lower monthly premiums or copays.”

But Mr. Gronniger says the relatively small premium savings aren't worth the extremely high costs some patients bear. “You're effectively trading off the financial well-being of a sick person who has a lot of other medical costs against an average enrollee's premium,” says Mr. Gronniger.

Medicare's drug program, which began in 2006, is unique among Medicare benefits for being administered entirely by private insurers. Lawmakers have praised the program for its popularity with seniors and for keeping spending well below initial estimates.

But spending on the drug program has soared in recent years, growing faster than all other areas of Medicare per enrollee basis, a trend that is expected to continue through 2025, according to projections by the trustees. The uptick in spending has caused concern among government officials and analysts about Part D's sustainability and the financial burden that higher drug prices are putting on patients. ●

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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