



# The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



## Actuarial Tables Updated

BY DON YANCEY, DEPUTY DIRECTOR

By law, the TRS and ERS use actuarial assumptions to calculate the amount needed to fund members’ pension benefits, the expected growth in the funds’ assets, and the percentage of payroll that employers contribute on behalf of their employees. RSA’s actuaries make determinations on what economic and demographic assumptions should be used in these calculations based on an actuarial experience study which is required every five years. Part of the experience study is a review of the accuracy of assumptions made for the previous five years as compared to actual experience and an educated projection of the economic and investment conditions for the next five years.

RSA’s actuary recently completed and two independent actuaries reviewed our five-year experience study and, as a result, proposed changes in some of the economic and demographic assumptions made by

the TRS and ERS. The TRS Board voted to adopt and the ERS Risk Management Committee voted to recommend the RSA’s actuaries changes, including a reduction in the assumed rate of investment returns from 8.00% to 7.75%. The lowered assumed rate of return will be phased in over two years and will be effective for rates beginning FY 2019. This recommendation was in line with the national trend of major public pension plans adopting lower assumed rates of return and the widespread consensus among economic experts that capital market investment returns will be lower going forward.

A reasonable reduction in the assumed rate of return is good for the RSA because it is a more fiscally conservative assumption, makes it easier to meet funding goals, and allows for more excess returns to be applied to the unfunded liabilities. On the flip side, the assumed rate of return is used as a discount rate for

liabilities and therefore lowering it generally increases current unfunded liabilities and raises employer costs. The changes do not affect the amount of employees’ contributions. While the RSA cannot know the actual impact of these changes in the future, the actuaries have modeled the impact of such changes using the already completed FY15 valuation. These modeled changes are set out in the tables below.

As modeled, these changes in assumptions would increase TRS’s unfunded liability by approximately \$1 billion and increase the blended employer contribution rate by 0.92%. The changes would increase ERS State’s unfunded liability by approximately \$300M and increase the blended employer contribution rate by 1.18%. As the tables below illustrate, the changes in the demographic assumptions alone account for a significant portion of the projected increase in the unfunded liability. ●

## Financial Impact

The following tables highlight the impact of the changes recommended in the experience investigation on the principal valuation results based on the September 30, 2015, valuation. These results are for illustrative purposes only. The actual impact of the changes will be determined with the September 30, 2016, and the September 30, 2017, valuations.

### TEACHERS

Metric	Before All Changes	After All Changes
UAAL (\$000)	\$10,104,563	\$11,129,366
Funded Ratio	68.3%	66.1%
Amortization Period	29.5 years	29.5 years
Tier I Contribution	12.24%	13.13%
Tier II Contribution	11.01%	12.07%

### STATE EMPLOYEES

Metric	Before All Changes	After All Changes
UAAL (\$000)	\$ 2,655,330	\$ 2,939,608
Funded Ratio	62.9%	60.5%
Amortization Period	29.6 years	29.6 years
Tier I Contribution	13.94%	15.07%
Tier II Contribution	13.29%	14.67%

### STATE POLICE

Metric	Before All Changes	After All Changes
UAAL (\$000)	\$246,421	\$276,784
Funded Ratio	56.0%	53.1%
Amortization Period	29.6 years	29.6 years
Tier I Contribution	62.48%	68.01%
Tier II Contribution	57.33%	61.26%

## Study: States that expand Medicaid save money

BY DAVE WILLIAMS  
ATLANTA BUSINESS CHRONICLE

Expanding Medicaid coverage under the Affordable Care Act would net Alabama between \$9.17 and \$13.80 in federal spending for every dollar expended by the state, according to a new study. The Urban Institute examined Alabama and the other 18 states that have chosen not to extend Medicaid coverage to individuals with incomes up to 138 percent of the federal poverty level, an option under Obamacare the U.S. Supreme Court gave states in a 2012 ruling [...]

According to the study, if Alabama expanded Medicaid and experienced moderate enrollment, Alabama would incur \$1.6 billion in higher caseload costs. But it would save an estimated \$1 billion in uncompensated care costs. It would also get a net increase of \$4.9 billion in federal expenditures [...]

Only the state of Maine, at 97 cents for every \$1 spent, would get less return from the federal government by expanding Medicaid. The return to the other holdout states would range from \$3.86 for Wisconsin to \$13.31 for Mississippi.

"In the 19 states that have not yet expanded Medicaid eligibility, a small investment of state dollars would yield much larger infusions of federal resources, even taking into account offsetting reductions in federal marketplace subsidies and uncompensated care savings," the study concluded.

On the other hand, the study found that in states that have expanded Medicaid, increases in state costs are being outweighed both by state cost savings and revenue growth resulting from expansion. Those net fiscal gains are expected to hold up even after this year, when the federal government will stop paying 100 percent of expansion costs and require a phased-in contribution from the states, starting at 5 percent and increasing up to 10 percent. ●

## RSA Van Antwerp Building

BY DAVE HELMS | BUSINESS ALABAMA

It's hailed as the first skyscraper on the Gulf Coast and one of the first in the Southeast, an 11-story reinforced concrete, terracotta-clad marvel that rose in downtown Mobile at Dauphin and Royal streets starting in 1906.

Finished two years later, the slender, elegant Van Antwerp Building long stood as a focal point of Mobile, greeting downtown denizens through the expansive drug store of the same name. Crystal chandeliers glittered from a 20-foot ceiling. Customers sitting along the 53-foot white marble soda fountain admired their reflections in mahogany-framed mirrors. There was even a rare-for-the-time ladies' powder room on the second floor. Above were physician and dentist offices before doctors found it practical to work closer to hospitals on Spring Hill Avenue.

When malls arrived in the 1960s, the Van Antwerp was abandoned, for the most part, and began a time as a lady in waiting — too impressive for the wrecking ball but no easy task for renovators. In an age requiring accessible design she had but one tiny stairwell, two ancient Otis elevators and a fire escape that led out a window. The building's electrical service was housed in a room the size of a bedroom closet. And its cast-in-place crown, an impressive concrete cornice that evoked big-city classical authority, was removed years earlier in response to a demand from the city after a similar architectural feature crashed to the street in Birmingham, killing a passerby [...]

The building is virtually 100 percent occupied, Bassett says. A branch of BBVA Compass Bank occupies the coveted ground floor space. The original brass features of the first floor, including the chandeliers and Dauphin Room decorative railings, were restored, in addition to the plaster walls, ceiling details and the marble



RSA Van Antwerp Building, Mobile

columns in the lobby area.

As for the angel from Montgomery, RSA was one of the few entities that would have been willing to undertake the renovation on a building smaller than the typical downtown megaplex. "It's a credit to RSA," says Bill Bowman, vice president of Doster. "Thank goodness that they did this. It was one of the first skyscrapers in Alabama, you couldn't tear it down. What he [Bronner] did is going to end up helping the entire downtown scene."

Elizabeth Van Antwerp, who now works with Birkshaw Building Conservation, believes her pharmacist grandfather, Garrett Van Antwerp, would be thrilled with the work.

"It is amazing, glorious. They've done a beautiful adaptation of the use of the space, taken into consideration the historic landmark and how much it means to the city. They've paid attention to every detail. I think my grandfather would love it." ●

# Chileans Rally for New Pension System

RYAN DUBE, WALL STREET JOURNAL

Thousands of Chileans took to the streets nationwide to demand a dismantling of a private pension system criticized for providing retirees with low payouts.

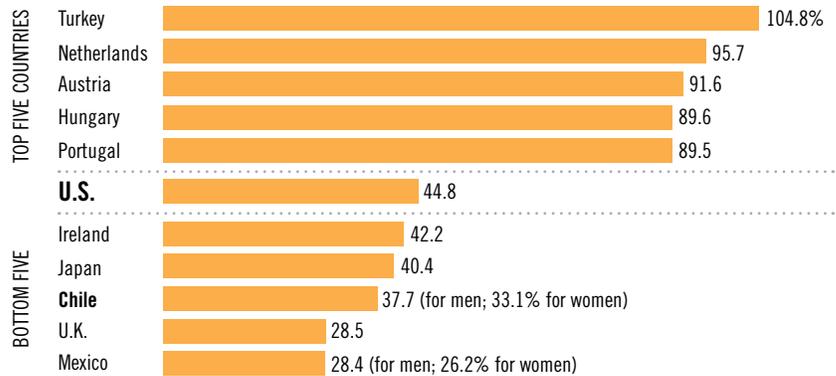
The backlash against the system follows years of accolades by multilateral organizations such as the World Bank, which held up Chile's pioneering use of individual savings accounts as an alternative for countries with costly state pensions considered unsustainable because of aging populations.

But 35 years since it was implemented by Chile's right-wing military dictatorship, critics say it hasn't delivered on promises. Chilean opinion pollster Cadem found that 84% of Chileans want an overhaul, while a University of Santiago survey said 61% want to return to a public pension system.

"A better Chile is possible only if we recover the pension system," Carolina Espinoza, a protest organizer, told Radio Bio Bio on Sunday. "This has to end."

## Old-Age Benefits

Net pension replacement rates, a measure of retirement payouts as a share of pre-retirement income, for OECD countries, 2014



Source: OECD, *The Wall Street Journal*

Under the current system, which requires workers to contribute 10% of their salaries to individual accounts managed by a private company, Chilean men receive on average 38% of their pre-retirement earnings, while women

receive 33%, some of the lowest rates among countries belonging to the Organization for Economic Cooperation and Development....●

# Statewide Amendment 2: Vote Yes to Save Our State Parks

Statewide Amendment 2 will be on the November 8th ballot and, if passed, will protect Alabama's state parks. Championed by Sen. Clay Scofield, this amendment will prevent the Legislature from spending revenues generated by the state parks for purposes other than maintaining the state parks.

Why is this important? The state parks are funded largely by park user fees. Due to continued shortfalls in Alabama's General Fund, monies have been transferred from the state parks to the General Fund. Losing these funds led to the closure of five parks in 2015. This amendment would protect state park funds from transfer and

ensure the continued operation of our state parks, which are important to our local communities, the general public, and Alabama's economy.

**Vote YES on November 8th to protect our state parks!** ●

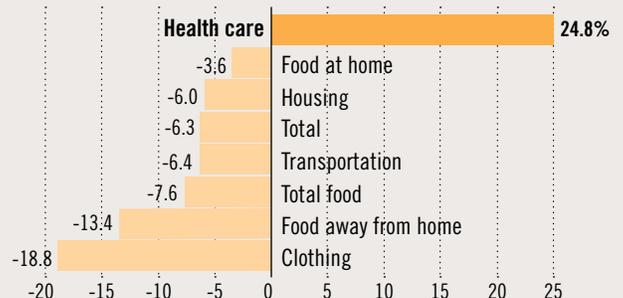


Chairman Luke Hallmark gives the Oath of Office to Michael Sentance, Peggy Mobley, Joe Van Matre and Cathy McNeal

## A Bigger Bite

Middle-class families' spending on health care has increased 25% since 2007. Other basic needs, such as clothing and food have decreased.

Percent change in middle-income households' spending on basic needs (2007 to 2014)



Sources: Brookings Institution analysis of Consumer Expenditure Survey, Labor Department

# Start Planning Your Holiday Getaways at RSA's Outstanding Hotels, Spas, and RTJ Golf

**RETIREMENT SYSTEMS OF ALABAMA**  
201 SOUTH UNION STREET  
P.O. BOX 302150  
MONTGOMERY, ALABAMA 36130-2150

**PRSR STD**  
**U.S. POSTAGE**  
**PAID**  
MONTGOMERY, AL  
PERMIT NO. 402



Member Hotel  
Discounts Webpage

ENJOY YOUR FALL/WINTER  
A Special Deal  
FOR RSA MEMBERS

**The Battle House,  
A Renaissance Hotel—Mobile—\$109**

- October 1, 5-6, 9-10, 16-18, 20, 23-26, 30-31
- November 3-9, 13-16, 20-30
- December 1-8, 11-15, 18-29

**The Renaissance Riverview Plaza—Mobile—\$99**

- October 1-5, 9-16, 23-25, 30-31
- November 6-9, 13-14, 18-30
- December 1, 17-18, 23-29

**Marriott Grand—\$109 plus a 15% resort fee**

- October 2-6, 9-13, 16-18, 23, 30-31
- November 6-10, 13-15, 20-22, 27-30
- December 1, 4-5, 11-15, 18-22, 26-29

**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

- October 2-6, 9-13, 16-18, 23, 30-31
- November 6-10, 13-15, 20-22, 27-30
- December 1, 4-5, 11-15, 18-22, 26-29

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

- October 2, 6, 8, 13, 16-17, 23, 27
- November 6, 9-14, 18-27
- December 4-5, 8-12, 15-29

**Renaissance Ross Bridge—Hoover—\$109**

- October 2-3, 6, 9-11, 16-17, 19, 23-24, 26, 30-31
- November 4-9, 13-24, 27-30
- December 1-30

**Opelika Marriott—\$99**

- October 5, 11, 16-19, 23-24, 31
- November 1-2, 6-8, 10-16, 20-28
- December 3-7, 11-13, 18-30

**Prattville Marriott—\$89**

- October 2-4, 9-11, 16-19, 23-24, 29-31
- November 5-6, 12-13, 20-21, 27-28
- December 4, 11-12, 18-19, 25-26

**Renaissance Montgomery—\$109**

- October 3-4, 15-16 • November 6-8, 22
- December 18-30

**RSA Spa Package—\$189—Promotional code—R2A**

- October 4, 15 • November 8, 22
- December 20-24, 27-30

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.**

## New Independent Election Service Chosen for RSA Board Elections

The RSA is pleased to introduce **Election America** as our new independent election service for all RSA Board elections. Election America will handle the creation, mailing, receiving, and tallying of all election ballots for the next three years. All ballots will be mailed to the address on file for each member and will include the option to vote by mail, internet, or telephone. Mail ballots will appear different from past elections and will be returned using a prepaid postage mailer. For those members with email addresses on file with the RSA, emails will be sent to announce the opening of the election with a link to online voting. Reminder emails will also be sent to make sure everyone has had the opportunity to vote. ●

## TRS Board of Control Election

Make your vote count in the Teachers' Retirement System (TRS) Board of Control election! Retirees will receive ballots after October 14, 2016. To be counted, ballots must be returned to Election America by 4:00 p.m., November 21, 2016. Retirees will be able to vote by returning the prepaid postage mailer ballot or by voting online or by telephone. Instructions will be included with the ballot.

As of the nomination deadline, Luke Hallmark was unopposed for the Superintendent Position and will retain that position on the TRS/PEEHIP Board. The election for the Retired No. 2 Position is currently held by Joe Ward. Both the Superintendent and Retired No. 2 Positions will begin their new terms July 1, 2017.

To be eligible to vote for the Retired No. 2 Position, you must be a former active member of the TRS and currently on the TRS retired payroll. By submitting your vote, you are confirming that you are eligible to vote for the position based on your classification. If your classification is incorrect, please contact the Elections Coordinator at 334.517.7192 or 877.517.0020.

Read the candidates' bio on the RSA website at [www.rsa-al.gov](http://www.rsa-al.gov) beginning October 1. If you have any questions, please contact the Elections Coordinator. ●

The  
ADVISOR

**CEO**  
David G. Bronner

**Deputy Director**  
Donald L. Yancey

Executives

**Communications**  
Michael E. Pegues

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

**Employees' and Judicial Retirement**  
William F. Kelley, Jr.

**Field Services**  
Christopher C. Gallup

**Information Technology Services**  
Michael T. Baker

**Investments**  
R. Marc Green

**General Counsel**  
Leura G. Canary

**Legislative Counsel**  
Neah M. Scott

**Member Services**  
Penny K. Wilson

**PEEHIP**  
Donna M. Joyner

**RSA-1**  
Rhonda H. Peters

**Teachers' Retirement**  
Christopher P. Townes

The Retirement Systems of Alabama  
201 South Union Street  
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Montgomery, Alabama 36130-2150  
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877.517.0020

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