



RSA Legislative Update

BY NEAH SCOTT, LEGISLATIVE COUNSEL

On February 4, 2020, the Alabama Legislature convened and is more than a third of the way through the 2020 Regular Session. The Legislature has introduced and worked on a number of RSA-related bills, most of which deal with improving benefits for RSA members and providing bonuses to retirees.

As it did last year, the House unanimously passed legislation sponsored by Representative Alan Baker (HB76) to create Tier III for TRS members to improve Tier II benefits by increasing the multiplier, allowing 30-year retirement, and allowing sick leave conversion. Under the bill, Tier III members would pay the same contribution rates as Tier I members. Tier II members would automatically be converted to Tier III with the option to revert back to Tier II. Similar legislation for ERS state members (HB268), sponsored by Representative Reed Ingram, is moving through the House. Additionally, the House is considering legislation, sponsored by Representative Phillip Pettus, to provide state police retirement benefits to all employees of ALEA who perform law enforcement duties.

The Senate has also filed bills to make improvements to Tier II benefits by allowing 30-year retirement and sick leave conversion for education, state, and local employees, and to provide stress time for firefighters, law enforcement officers, and correctional officers

(“FLC”). The bills (filed by Senator Donnie Chesteen for TRS members and Senator Greg Albritton for ERS members) would increase the Tier II member contribution rate by three quarters of a percent for regular members and by one percent for FLC members.

A number of bills to provide retiree bonuses have been filed, including bills to provide a bonus in the amount of \$3 per month of service credit for ERS and TRS retirees, a tiered bonus for ERS retirees, and to create a trust to fund bonuses for TRS retirees.

The Legislature returns from spring break on March 31, for a joint session to determine how to move forward in light of concerns regarding COVID-19. Please check our legislative webpage rsa-al.gov/about-rsa/legislation/ for updates. ●

Back to Tier I for Some

Local Employers Can Provide Tier I Benefits to Their Tier II Employees

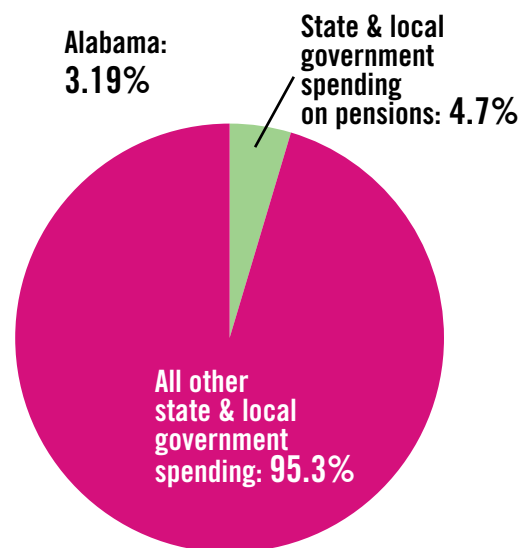
BY WILLIAM KELLEY, DIRECTOR OF ERS

Act 2019-132 allows local employers participating in the Employees’ Retirement System (ERS) to provide Tier I retirement benefits to their Tier II members. Those Tier II members will pay the Tier I member contribution rates (7.5% for regular employees and 8.5% for firefighters and law enforcement officers). The local employers will pay an increased employer contribution rate to provide these enhanced benefits.

Local employers may elect to provide these enhanced benefits by adopting a resolution and submitting it to the ERS. Under the Act, local employers have until May 8, 2021, to make this election. At the March ERS Board meeting, the Board approved all 45 local employers that had submitted resolutions to provide these benefits. Based on conversations with officials at many local participating entities, we anticipate that we will receive many more resolutions to provide these increased benefits over the next several months. ●

State and local spending on public pensions as a percentage of total government direct general spending, FY '17

Compiled by NASRA based on U.S. Census Bureau data



Ultimate Golf

BY STEVE MILLBURG

As proclaimed by *The New York Times*, Alabama's Robert Trent Jones Golf Trail "offers some of the best public golf on earth." With 32 courses, it totals 468 holes of ultimate medal play.

It took a couple of days for the Robert Trent Jones Golf Trail to work its magic on Connie Gibson. When the spell finally kicked in, it hooked her completely.

The Gibson clan spent a week playing five different 18-hole courses on the Trail—which totals 369 gorgeous holes of championship golf, plus 99 additional short-course holes, all spread across 11 Alabama sites. Connie, who describes herself as "not a really great golfer," and brother Norman came down from Indiana. Father Harry, a retiree and longtime golfing enthusiast, and brother Mark drove up from Florida.

Robert Trent Jones Sr., legendary golf course architect and the guiding genius behind the Trail, never believed in coddling golfers. All of the courses feature multiple tee placements to accommodate players of differing skill levels and hitting power. But even from the front tees, each hole presents a challenge.

"The first day, I was frustrated and angry," says Connie. "I thought, 'Why did I come all this way and spend all this money?' Because I'm so bad, and this

was so hard!"

Then she decided to relax, not worry about her score, take a mulligan (golfing parlance for "do over") whenever she needed one, and just enjoy the glorious surroundings.

"By the end of the week," she says, "I couldn't wait to go back. I would love to play every single course. I really would. Because they were beautiful."

The Robert Trent Jones Golf Trail constitutes one of the biggest, most unusual, and most scenic economic-development projects ever undertaken. The Retirement Systems of Alabama (RSA), which administers the state's public pensions, created the Trail in order to diversify its assets and give Alabama a financial boost.

It succeeded spectacularly. The first courses opened in 1992. Now, more than 500,000 people play the Trail each year. The RSA has also developed eight luxurious resort hotels to accommodate them. "As golf attractions go," wrote *Golf Magazine* columnist Joe Passov in 2012, "it's unequaled in the U.S. simply for offering a large quantity of world-class golf at municipal course prices."

Connie Gibson certainly agrees. "It's just a treat and a pleasure to play a professional course," she says. "Most professional courses are way out of my league

financially." Greens fees for most are about the same as at a public city course.

Each layout reflects Jones' passion for preserving—and sometimes enhancing—the land's natural beauty and heritage. The first hole at The Judge Course at Capitol Hill in Prattville, for example, overlooks the Montgomery skyline a startling 200 feet above the fairway. A picturesque old mule barn stands along the signature fifth hole of The Highlands Course at Hampton Cove in Huntsville. Jones said Grand National in Opelika, on Lake Saugahatchee, was the greatest site for a golf complex that he'd ever seen, and he distilled the essence of its allure into the stunning 15th hole of The Lake Course, which curls through the trees and around the water to an island green.

The Gibsons left Alabama just as impressed with the hospitality of the Trail employees as they were with the courses themselves. "They were really nice people," Harry said. "They went out of their way to make you happy." Connie summed up the Trail simply: "It's just an experience—an experience of a lifetime."

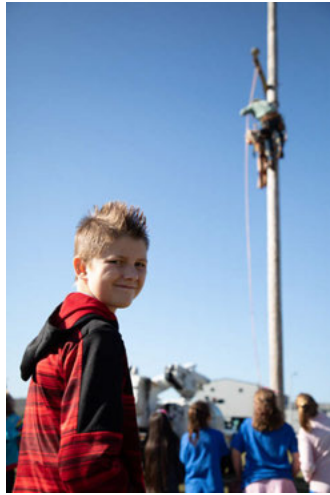
Editor's Note: Article is four pages with large pictures and observations of all eleven sites. ●

NCPERS: Public Retirement Systems Study 2019 Key Findings

1. The overall average expense for all respondents to administer the funds and to pay investment manager fees is 55 basis points (100 basis points equals 1 percentage point). This is down from 60 basis points in the prior year. According to the *2019 Investment Company Fact Book*, the expenses of most equity funds average 55 basis points and those of hybrid funds average 66 basis points.
2. Reporting funds saw, on average, one-year returns around 4.5 percent. The five-year and 10-year average returns also hovered near or above the assumed rate of return, and the 20-year returns generally outperformed the assumed rate of return. The timing of the fiscal year-end accounts for significant difference in investment experience between funds. Funds that have a December fiscal year-end date saw one-year returns much lower than those closing at other times. Consequently, the average funded level is 71.7 percent, down from 72.6 percent in 2018.
3. The average assumed rate of return on investment for responding funds is 7.24 percent, compared with 7.34 percent last year. The inflation assumption is 2.8 percent, which is about the same as last year.
4. About 82 percent of all responding funds are considering lowering or have lowered their assumed rate of return, and 51 percent are implementing or considering higher benefit age/service requirements. Raising employee contributions continues to be a prominent strategy as well. According to the 2019 study, 55 percent of respondents do not include overtime in the benefit calculation, which is 6 percent lower than last year.
5. The average cost-of-living adjustment (COLA) offered to members was 1.6 percent, which is slightly lower than in 2018. Many responding funds did not offer a COLA in the most recent fiscal year.
6. About 72 percent of funds do not think the Supreme Court *Janus v. AFSCME* Council 31 case regarding the power of labor unions to collect fees from non-union members will have an impact on them.
7. While 63 percent of respondents noted that they are not having a problem attracting and retaining skilled staff as people retire, about 27 percent are starting to experience or anticipate a problem in this area.
8. Responding funds were asked if they offer a health plan. In 2019, about 52 percent offered a plan or subsidy, while about 48 percent of funds did not. In 2018, about 46 percent offered such benefits, and 54 percent did not. For funds responding in both study years, we saw a 6 percent drop in traditional coverage to 26 percent, with data suggesting a transition to a health savings account (HSA) strategy. ●

Alabama Success Stories

Huntsville Utilities Education Days



Everyone uses electricity, but learning how to use it safely is an ongoing process. As stewards for electric safety in the community, public power utilities such as Huntsville Utilities play an important role in educating community members about how to stay safe when using electricity or around electrical equipment.

Building electrical safety literacy in a community means utilities must be able to engage community members of all ages, often starting with kids in schools. Since 2003, Huntsville Utilities has hosted Huntsville City, Madison County, Madison City, and private and home-based schools for its Education Days program which is generally held in October each year.

Over 30 different schools and home-based organizations have participated in these educational field trips which cover everything from how electricity is generated to tips for conserving water. In 2019, approximately 1,200 students attended the Education Days.

The field trips include five components: the training yard, the bucket truck, the dispatch center, natural gas concepts, and the water system.

The training yard is an outdoor training facility where apprentice linemen learn how to work safely on electric circuits. The yard is set up with full-scale poles and exercises such as hurtman rescue. The public power utility has a safety demonstration trailer located inside the training yard. Gary Whitley,

Communications and Public Relations Manager at Huntsville Utilities, noted that this helps the students more easily connect the scenarios seen within the trailer, which are at a mock scale, to real life.

“Having them in that space really brings it home,” he said. Bringing the kids on-site also makes it easier for lineworkers and other crew members, who might share a personal story about the importance of electrical safety, to take part in the program.

An important component of the day is sharing the electrical safety messages and scenarios, such as what to do if the kids see a downed power line or are in a car that strikes a utility pole, according to Todd Long, Huntsville Utilities Electronic Content Administrator.

Students also enjoy the bucket truck demonstration, where they can get an up-close look at the tools and equipment on a well-organized bucket truck and a teacher or parent chaperone is chosen to ride in the bucket as it rises 65 feet into the air. Students tour the dispatch center where they can view their school on the switch map and see any outages. Dispatchers also explain what happens during major outages and how the Huntsville Utilities team responds. Natural gas concepts teach students about this efficient energy form, where it comes from, and how we use it to power our community. Students also learn about the history, design, and quality of our community’s water system.

Whitley noted that area teachers have

come to expect the program every year. Since the city has been growing, the event isn’t able to reach all schools, but Whitley said they “try to bring in as many classrooms as we can.”

Outside of Education Days, Whitley said that the utility is sometimes invited to classrooms to provide shorter educational sessions. “We try to incorporate safety messaging whenever and wherever we can,” said Whitley. As an example, he mentioned that Huntsville Utilities incorporates safety messages into outage communications, emphasizing that the utility wants people “to know that our crews are working, but also that they have to work as safely as possible.” Huntsville Utilities also brings its demo trailer to various community events to share the messages with community members of all ages.

The programs show a clear, lasting impact. Whitley said that older students who come to the utility for a summer work program, and even some employees, will tell the utility how they “remember that fourth grade field trip. So, we actually know that it is a really valuable, important trip because they are retaining it many years later.”

This is a series of articles about Alabama Success Stories. Please let us know if you have a similar success story you would like to share with the RSA membership. You may contact us at communication.correspondences@rsa-al.gov. ●

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- June 7, 14, 21, 28

Renaissance Ross Bridge—Hoover—\$119

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- May 3, 9-10, 24-31
- June 1-4, 7-14, 17, 21-22, 24, 28-30

Ross Bridge—RSA Spa Package—\$223

- April 1, 5-8, 12-15, 19-22, 26-29
- May 3, 9-10, 24-27, 31
- June 1-3, 7-10, 14, 17, 21-22, 24, 28-30

Auburn/Opelika Marriott—\$109

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- June 1-4, 8-11, 15-16, 22-25, 29-30

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- April 5, 10-13, 19, 26 • May 3, 24-25, 31
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Renaissance Montgomery—RSA Spa Package—\$209

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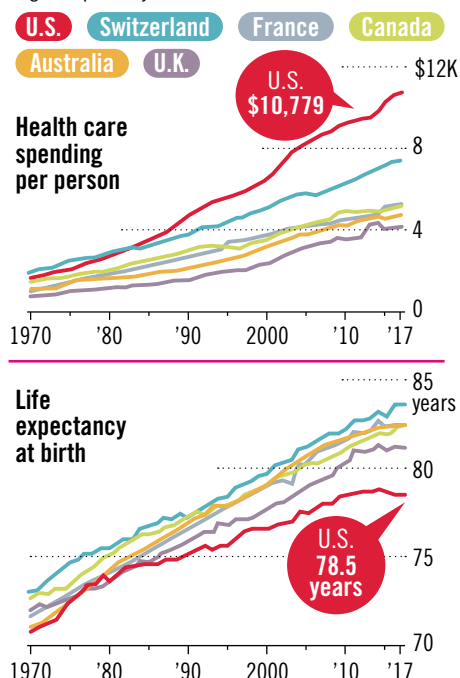
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TRS Board of Control Runoff Election Results

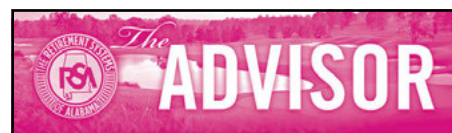
The TRS Election Committee met Thursday, February 20, to certify the runoff election results. Congratulations to Anita Gibson on being elected to the Retired Position, No. 2! Mrs. Gibson will begin her three-year term on July 1, 2020. ●

High Costs, Low Return

The U.S. has spent more on health care per person since 1970 than other developed countries, but doesn't have a higher expectancy to show for it.



Note: Spending in 2017 U.S. dollars. Sources: Authors' calculations based on data from Max Roser at University of Oxford, World Bank, and OECD



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