



The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



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SERVING OVER 350,000 MEMBERS

December 2017



2017 Investment Performance

BY R. MARC GREEN, CIO

	Annualized			
	1 Year	Last 3 Years	Last 5 Years	Last 10 Years
Total Portfolio				
TRS	11.77%	7.63%	9.95%	5.04%
ERS	12.86%	7.92%	10.04%	4.88%
JRF	11.90%	7.28%	9.63%	6.05%

Fiscal Year ending September 30, 2017, was yet again another action packed year, with the political world taking center stage. The election of Donald Trump and the military actions of North Korea provided plenty of angst for the markets. When the smoke cleared at fiscal year end, strong corporate earnings relative to subdued expectations drove most equity markets higher. The better performing asset classes were domestic small cap stocks and emerging market stocks, as the U.S. dollar weakened for most of the year. Interest rates continue to be range bound, although the curve has flattened a bit as the Federal Reserve has ratcheted up short-term rates.

The RSA continues to hold an overweight position in equities and have used systematic hedging to help limit downside exposure. Downside protection through hedging is akin to insurance, so there is a cost associated with it. We are willing to give away some upside given our sizeable weighting in stocks. The RSA also remains underweight fixed income and have maintained our overweight corporate credit position with short duration issues in order to mitigate interest rate risk.

Our peer group rankings (State Street Public Funds Universe greater than \$1 billion) for the last year were in the 62nd percentile for TRS and 36th percentile for the ERS. The three-, five- and seven-year rankings remain in the top 30% for both the TRS and ERS. ●

Getting Ready for the Next Legislative Session

BY DAVID G. BRONNER

It's that time of year again. And I'm not talking about the holidays. The 2018 Regular Legislative Session that begins on January 9, 2018, is almost upon us.

Good news is that we have developed a positive working relationship with the Speaker of the House, Mac McCutcheon, and the President Pro Tem, Del Marsh, as well as other distinguished members of the Alabama Legislature. We discussed our common goal, which is to ensure that the RSA continues to pay the retirement benefits earned by its members – the education employees and state and local government employees who have dedicated their lives to public service. With this common goal in mind, all interested parties will work together to strengthen and protect the RSA for the benefit of its members and all Alabamians.

Most importantly, the financial news we will share with the Legislature during the next session is very positive. There are minimal increases in the employer contributions to the General Fund and Education Trust Fund for the ERS and TRS. Our investment returns for fiscal year 2017 were well above the 7.75% actuarial assumption. And the benefits paid out to RSA members continue to have a positive economic impact on our communities and the state as a whole.

But we still need your help. Talk to your Representatives and Senators. Remind them how important your benefit is to you, your family, and the community. Let them know how much you appreciate their support on RSA issues. Thank them for their dedication in fully funding the employer contribution request set by RSA's actuaries EVERY YEAR – that is what helps keep your system financially sound! ●

PROJECTED STATE COSTS FOR 2018-19

Projected Retirement Employer Cost Retirement Systems of Alabama (Amounts in millions)

Retirement	Actual	Estimated	Requested
	2016-2017	2017-2018	2018-2019
TRS (Teachers')	\$783	\$796	\$808#
ERS (Employees' Regular-State)	197	192	202*
JRF (Judicial)	17	18	19
Total Retirement Cost	\$997	\$1,006	\$1,029

FY2016 Increase in ERS primarily due to 2014 COLA funded in FY2016

Estimated \$460.6M from Education Trust Fund

* Estimated \$56.6M from General Fund

Source: Executive Budget Office

Projected Insurance Employer Cost Retirement Systems of Alabama (Amounts in millions)

Insurance	Actual	Estimated	Requested
	2016-2017	2017-2018	2018-2019
PEEHIP (Teachers)	\$945	\$945	\$945
SEHIP (State Employees)	323	324	343
Total Insurance Cost	\$1,268	\$1,269	\$1,288

Note: PEEHIP numbers exclude amounts from Universities for retiree costs
Note: FY2019 estimated cost for PEEHIP totals \$1.52 billion

The PEEHIP Retiree Trust Is Not a Slush Fund

EDITORIAL

The PEEHIP Retiree Trust, officially called the “Alabama Retired Education Employees’ Health Care Trust,” was created by the Alabama Legislature in 2007 to set aside funds to pay for future PEEHIP retiree health benefits. The law **requires** the funds to be used **only** for that purpose. To help ensure the Retiree Trust continued to grow, the Legislature placed statutory limits on the amount that could be withdrawn from it in a given year.

The Retiree Trust has grown over time and the current balance is about **\$1.3 billion** (in comparison, the estimated healthcare claims to be paid by PEEHIP on behalf of its members are \$1.4 billion in 2018 and \$1.5 billion in 2019). **The key is** that balance represents **only about 16%** of the total expected liability for retiree healthcare of **\$8 billion!** That is a very low funding level, far from the amount needed to meet future retiree healthcare needs. ●

Exploring the Robert Trent Jones Golf Trail

BY TONY DEAR, *LINKS MAGAZINE*

Twenty-five years ago, a network of public-access golf courses opened in every corner of Alabama, and the state hasn’t been the same since.

Back in the mid-to-late 1980s, the CEO of Alabama’s state employee pension fund—Retirement Systems of Alabama (RSA)—hatched an outlandish plan to build multiple golf courses simultaneously throughout the state, a state never before regarded as a golf destination. Nothing like it had ever been conceived, let alone attempted, but this man hoped to attract golf tourists and stimulate economic activity. Absurd, right?

A graduate of Minnesota State University, Mankato where he earned Bachelor’s and Master’s degrees, and later taught business and finance courses, Dr. David Bronner also attended the University of Alabama where he received a law degree in 1971, and a Ph.D. the following year. He then taught more business, finance, and education courses at various graduate schools before becoming Assistant Dean of the Law School at UA. In 1973, at the age of 28, he was given the top job at RSA.

With that level of education, and those qualifications and academic/real life experience, perhaps Bronner could be trusted, and his somewhat wild and unconventional proposal for a golf trail might not

be so crazy after all.

Now, a quarter of a century later, with a total of eleven sites and 468 holes and eight major resorts, half a million rounds a year are played on the Robert Trent Jones Golf Trail, and RSA’s assets have grown from about \$8 billion to over \$35 billion—credit for which doesn’t go to The Trail entirely, but it remains by far

in 2010 when I played the back tees from 8,191 yards and had no fun at all (Director of Golf Chip Purser told me no one had been “stupid enough” to play all 18 from the tips); Magnolia Grove and Lakewood outside Mobile in 2014; and Hampton Cove, The Shoals, and Silver Lakes in the northern third of the state just a few weeks ago.

Jones has never been my architectural cup of tea, but I have to say I’ve enjoyed every Trail course I’ve visited, even Ross Bridge which is no doubt a beautiful place and probably good fun when played from a more suitable set of tees. With the mighty Tennessee River to the right and the plantation-style clubhouse high above the green, the par-three 18th on the Fighting Joe Course at The Shoals is probably the prettiest hole I’ve ever seen. And, despite the ominous names, the Heartbreaker and Mindbreaker nines at Silver Lakes probably possess my favorite Trail holes. At first light on a sunny

day, the place is really rather delightful.

The most you’ll pay for a round on The Trail is the \$142 (including cart) it costs to play Ross Bridge—considered The Trail’s flagship facility—before 10:30 am during fall and winter. But the typical price for 18 holes with cart on the majority of Trail courses is less than \$90. Annual memberships are available and start at \$1,500, and Trail Card (\$40) members get discounts



ROSS BRIDGE

(PHOTO CREDIT: MICHAEL CLEMMER)

the most conspicuous and ambitious of Bronner’s investments. . . .

HOW TO TACKLE THE TRAIL

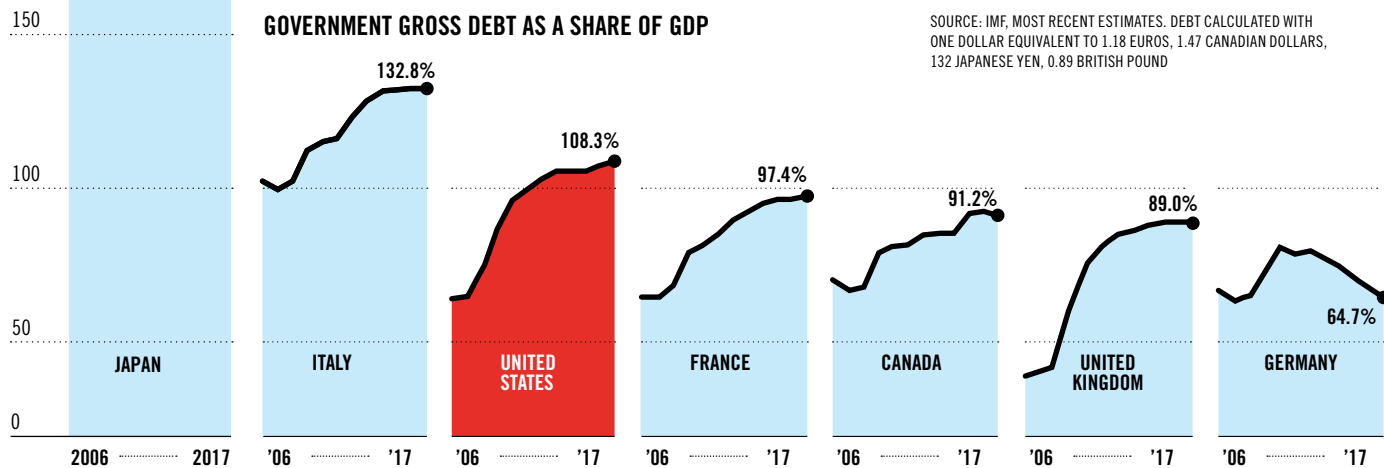
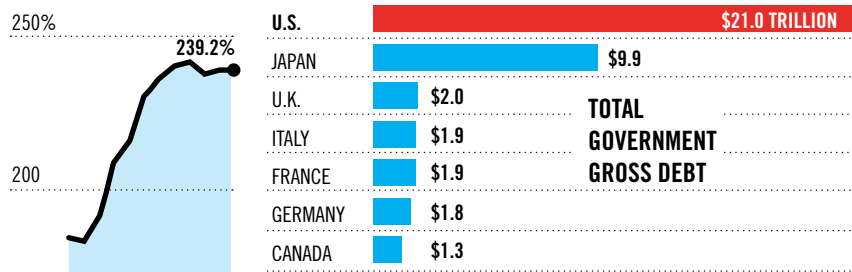
There probably are people—mad golf addicts—that have played all 26 courses in one trip. Such a voyage would mean roughly 85 miles of golf, and over 700 miles of driving, however, so it’s probably best to do it in chunks.

I’ve visited six Trail sites on three separate trips—Ross Bridge in Hoover

ANALYTICS Seeing Trends in the Data

TAX REFORM REMEMBER THE DEFICIT?

The federal debt, for years a bogeyman for business leaders and politicians alike, has lately felt curiously absent from the national conversation. But the country still owes plenty. The U.S. has the largest debt in the world and one of the largest as a share of GDP. That's likely to emerge as a key sticking point in the debate over President Trump's proposed tax plan—which is looking increasingly like a budget-buster. Republicans' tax-cut wish list exceeds \$5 trillion, according to multiple estimates, and many experts doubt that the economy would get enough of a boost from the proposed cuts to make up the shortfall.



SOURCE: IMF, MOST RECENT ESTIMATES. DEBT CALCULATED WITH ONE DOLLAR EQUIVALENT TO 1.18 EUROS, 1.47 CANADIAN DOLLARS, 132 JAPANESE YEN, 0.89 BRITISH POUND

Exploring the Robert Trent Jones Golf Trail

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of up to 50% on green fees—the only problem being you have to be an Alabama resident, or live within 100 miles of a Trail course, to qualify.

HISTORY OF THE RTJ TRAIL

Bronner hired Robert Vaughn, a former Director of Golf at Tanglewood Golf Club in Clemmons, N.C. to expand the idea and put together a design team. Vaughn also set up Sunbelt Golf Corporation to manage the courses, and worked hard on selling the idea to municipalities, corporations, and private developers in order to secure donations of prime land within easy driving distance of the state's major highway system.

To design the holes, Bronner and Vaughn chose Robert Trent Jones who had worked on 500+ courses during a 50-year career. Then well into his 80s, Jones had more or less retired, and what little work he was doing was mostly overseas.

But Bronner knew the value of Jones's

name. This was five years before Bill Coore and Ben Crenshaw built Sand Hills; a decade before David Kidd's Bandon Dunes opened and American golfers got to experience the beauty of links golf at home; long before Tom Doak's minimalist movement started trending; and 20 years before firm/fast/natural/strategic/Golden Age-inspired openings almost became routine. During the 1960s and 70s, Jones had been the most prominent figure in the industry, and though Jack Nicklaus, Pete Dye, Tom Fazio, and his own two sons, Robert and Rees, had supplanted him by the end of the 1980s, Bronner still considered him the ideal man for his trail, and somehow managed to coax him back to work.

During design and construction of the courses, Jones relied heavily on his young associate Roger Rulewich, who graduated from Yale in 1958 with a degree in civil engineering. Rulewich learned everything

he knew about golf from Jones, and the holes he built were clearly inspired by his mentor. Classic Jones course characteristics such as big, contoured greens, a large front bunker, plenty of water, and at least one "signature hole" were evident throughout The Trail whose first four sites—Hampton Cove in the north of the state, Magnolia Grove in the southwest, Oxmoor Valley in the middle, and Grand National in the east—opened in 1992.

Alabama's RTJ Golf Trail has been acclaimed since it opened 25 years ago, and deservedly so. There are better courses in the Yellowhammer State, but few would deny The Trail was an inspired (if slightly wacky) idea, has made a considerable contribution to the wealth and identity of the state, and really is a magnificent achievement.

(Editor's Note: The complete story can be found at www.linksmagazine.com.) ●



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

RETIREMENT SYSTEMS OF ALABAMA
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P.O. BOX 302150
MONTGOMERY, ALABAMA 36130-2150

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MONTGOMERY, AL
PERMIT NO. 402



Member Hotel
Discounts Webpage

ENJOY YOUR WINTER
A Special Deal
FOR RSA MEMBERS

The Battle House, A Renaissance Hotel—Mobile—\$109
New Rate Starting 1/1/2018—\$119
• December 1-7, 10-14, 17-28 • January 12-16, 28
• February 4-6, 14-26

The Renaissance Riverview Plaza—Mobile—\$99
New Rate Starting 1/1/2018—\$109
• December 3-18, 24-30 • January 5-6, 14-15, 19-20
• February 4-7, 14-18, 23-28

Marriott Grand—\$109 plus a 15% resort fee
New Rate Starting 1/1/2018—\$127
• December 3-4, 10, 14-21, 26-28
• January 1-4, 7-10, 14-15, 25, 28-30
• February 1, 4-7, 11-13, 18-21, 25-28

Marriott Grand—RSA Golf Package—\$179 plus a 15% resort fee —**Promotional code—R2A**
New Rate Starting 1/1/2018—\$199
Includes: Deluxe Room, One Round of Golf for Two People. Call for Tee Times after booking package
• December 3-4, 10, 14-21, 26-28
• January 1-4, 7-10, 14-15, 25, 28-30
• February 1, 4-7, 11-13, 18-21, 25-28

Marriott Shoals—Florence—\$99
New Rate Starting 1/1/2018—\$109
• December 3-4, 7-12, 14-28
• January 1-22, 25-29
• February 4, 8, 11, 15, 18-19, 22, 25-26, 28

Renaissance Ross Bridge—Hoover—\$109
New Rate Starting 1/1/2018—\$119
• December 1-8, 10-15, 17-30
• January 1-10, 12-21, 25, 28-31
• February 1, 3-8, 11-15, 18-22, 25-27

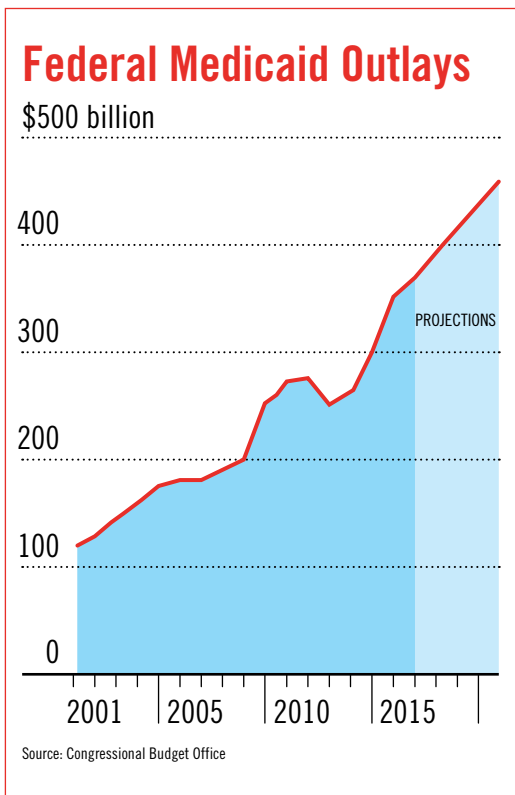
Opelika Marriott—\$99
New Rate Starting 1/1/2018—\$109
• December 8-11, 14, 17-31 • January 1-11, 13-17, 21-31
• February 4-5, 8-11, 15, 18, 25-26

Prattville Marriott—\$89
• December 1-4, 7-31 • January 1-4, 7-8, 11-15, 27-29
• February 1, 4-5, 8, 11, 15, 18-19, 25

Renaissance Montgomery—\$109
New Rate Starting 1/1/2018—\$119
• December 5-6, 17-28
• January 1-6, 14, 17-18, 21, 28-29 • February 8, 18
RSA Spa Package—**\$189—Promotional code—R2A**
New Rate Starting 1/1/2018—\$199
• December 5-6, 19-23, 26-28 • January 2-6, 17-18
• February 8

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
Book Online and Save RSA \$4.



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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