



2018 RSA Investment Performance

BY R. MARC GREEN, CIO

	Annualized			
	1 Year	Last 3 Years	Last 5 Years	Last 10 Years
Total Portfolio				
TRS	9.42%	10.53%	8.88%	7.77%
ERS	9.29%	10.78%	9.00%	7.58%
JRF	9.32%	10.72%	8.70%	8.72%

When the dust settled on fiscal-year-end 2018, bottom line returns were again very good, though there was a great degree of choppiness throughout the year. We had a melt up of stocks in the first quarter, followed by a couple of corrections before finishing strong through September. Returns were strong across the whole market capitalization spectrum in U.S. equities, while both developed and emerging international equity returns were rather muted.

A strong dollar and the trade battles between the U.S. and China weighed especially heavy on emerging market stocks. We continue to hold an overweight position in U.S. equities, and have used some 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 forgo some upside given our sizeable weighting in stocks.

We remain underweight in fixed income and have maintained our overweight corporate credit position with short duration issues in order to mitigate interest rate risk. The Boards of Control raised the cash targets a couple percent, so our cash weighting is a bit higher now. This serves as a good offset to our overweight equity position, and makes sense considering how much the short end of the yield curve has increased.

Our **PEER GROUP RANKINGS** (State Street Public Funds Universe greater than \$1 billion) for the last year were in the 13th percentile for TRS and 17th percentile for ERS. The three-, five-, and seven-year rankings remain in the top 31% for both the TRS and ERS. The ten-year return numbers are right around the median return for our peer group, with TRS returns now slightly above our actuarially assumed rate of return and ERS slightly below. ●

Our Health Insurance Costs More than Pensions

THIS CHART SHOWS HOW MUCH HEALTHCARE WILL COST IN RETIREMENT – AT EVERY AGE

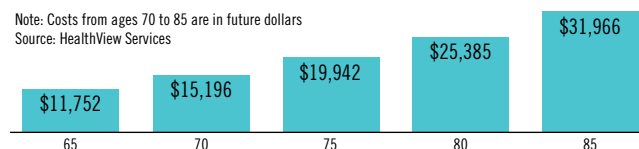
BY ELIZABETH O'BRIEN | MONEY MAGAZINE

Here's some good news about medical expenses in retirement: healthcare inflation has slowed over the past year, lowering your projected lifetime tab, according to a new report. And here's the bad news: even at this lower growth rate, healthcare expenses are a runaway train that can plow a hole into the most carefully constructed budget.

It's a daunting outlay, for sure, and most financial planning projections don't fully account for it, Mastrogiovanni (CEO of HealthView Services) says. One common planning method is to consider what percentage of your working income you'll need to live on in retirement. While there's no one consensus, planners frequently say you need to replace 75% to 80% of your working income for a comfortable retirement.

HEALTHCARE COSTS IN RETIREMENT

Note: Costs from ages 70 to 85 are in future dollars
Source: HealthView Services



These estimates don't account for the fact that, while working, your employer picked up about 75% of your healthcare costs, Mastrogiovanni says. In retirement, the costs are all on you, unless you're one of the dwindling number of workers who has company-sponsored retiree medical insurance. "More and more of the coverage," Mastrogiovanni says, "is on our shoulders."

(Editor's Note: Public employees of Alabama should thank Alabama's governors and legislators for making PEEHIP and SEIB benefits possible!) ●

PROJECTED STATE COSTS FOR 2019–20

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

Retirement	Actual 2017-2018	Estimated 2018-2019	Requested 2019-2020
TRS (Teachers')	\$799	\$830	\$829#
ERS (Employees' Regular-State)	195	210	220*
JRF (Judicial)	17	18	18
Total Retirement Cost	\$1,011	\$1,058	\$1,067

Estimated \$488.6M from Education Trust Fund

* Estimated \$61.5M from General Fund

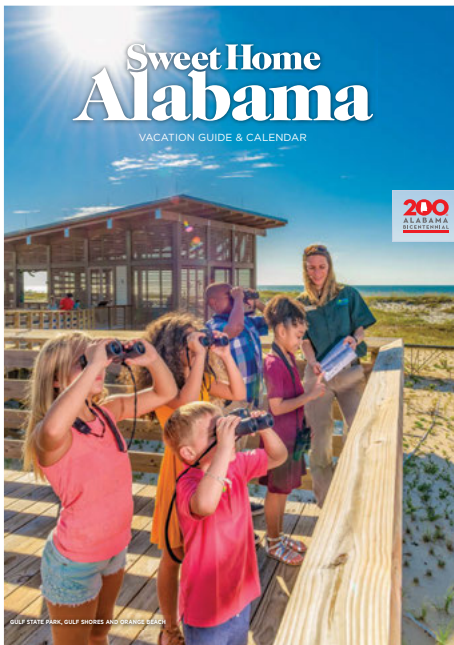
Projected Insurance Employer Cost Retirement Systems of Alabama (Amounts in millions)

Insurance	Actual 2017-2018	Estimated 2018-2019	Requested 2019-2020
PEEHIP (Teachers)	\$947	\$945	\$945&
SEHIP (State Employees)	352	353	353
Total Insurance Cost	\$1,299	\$1,298	\$1,298

& Estimated \$673.3M from Education Trust Fund

Note: PEEHIP numbers exclude amounts from Universities for retiree costs

Note: FY2020 estimated cost for PEEHIP totals \$1.51 billion



ALABAMA SUCCESS STORIES

Tourism in Alabama

BY LEE SENTELL, ALABAMA TOURISM DIRECTOR

awarded Highlands Bar & Grill in Birmingham “the Oscar of American restaurants” after Highlands was a finalist for nine previous years. Major food magazines have promoted Birmingham as a major culinary destination for the past decade.

In a significant change from previous eras, national political writers praised Alabama voters a year ago when they

television commercials on 65 Raycom Media stations, an investment of the Retirement Systems of Alabama, with increasing the number of tourists who visit from the Midwest and surrounding states.

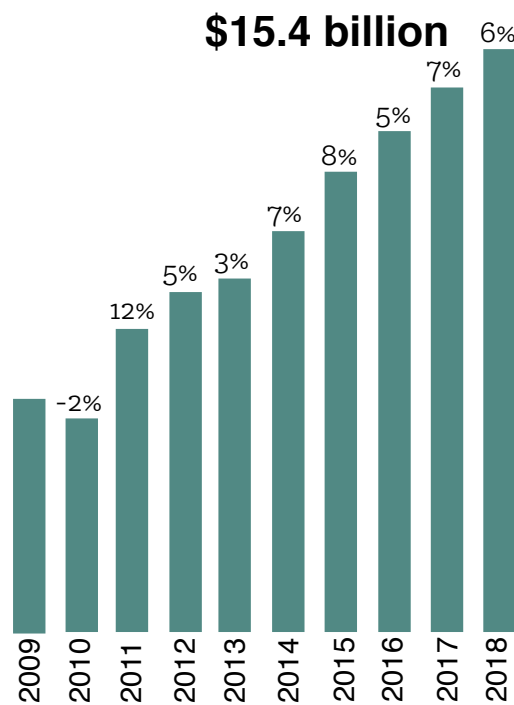
“Every part of the state has seen dramatic growth, from the mountains of the Tennessee Valley to the beaches along the Gulf Coast,” said Sentell. “Each year, most

Alabama’s tourism industry has grown by 61 percent during the past decade, bolstered by expansion of condominium developments along the Gulf Coast, continued solid traffic to the Robert Trent Jones Golf Trail, and an improved image of “Sweet Home Alabama.” Tourists have spent more each successive year, even during the year of the BP oil spill, from \$9.3 billion in 2009 to an estimated \$15.4 billion in the current year.

The industry employs approximately 190,000 persons. Baldwin County leads with 52,000 employees, followed by 30,000 in Jefferson County and 17,000 in Madison County.

Alabama’s image has changed in the recent past, making the state more inviting to tourists. Ruben Studdard and Taylor Hicks won early seasons on *American Idol*. The public relations value of the Crimson Tide’s multiple national football championships over the past decade is undeniable. In addition to increasing enrollment on campus, many football fans have put a trip to Tuscaloosa on their bucket lists.

Foodies have flocked to the state since May when the James Beard Foundation



Growth in Tourism Expenditures 2009-2018*

*Projected

elected Doug Jones over Roy Moore for a Senate seat. The marketing and promotion of civil rights landmarks in Birmingham, Montgomery, and Selma have attracted many African Americans and whites to make pilgrimages to the South.

Tourism director Lee Sentell credits

communities generate more revenue and gain jobs through meetings, conventions, sporting events, visits to museums, and other tourist attractions. The larger counties which have invested in sporting venues have seen an increase in the number of youth teams arriving from outside the immediate area for tournaments.”

In the most recent year, more than 6.4 million tourists spent \$4.4 billion in Gulf Shores/Orange Beach. Some 3.3 million spent \$2 billion in Jefferson County (Birmingham), while another 3.1 million visitors in Madison County (Huntsville) spent \$1.3 billion. An estimated 3.4 million guests in Mobile County (Mobile) left \$1.2 billion in cash registers.

This is a series of articles about Alabama Success Stories. Please let us know if you have a similar success story you would

like us to share with the RSA membership. You may contact us at communication.correspondences@rsa-al.gov. ●

RSA's Planned Communities Receive Seal of Approval from American Association of Retirement Communities

BY MARK FAGAN

RSA's National Village at Grand National in Auburn/Opelika, Alabama, on the RTJ Golf Trail and The Colony at The Grand Hotel in Fairhope, Alabama, have met the requirements for "best in class" recognition from the American Association of Retirement Communities (AARC). AARC is a not-for-profit professional association established in 1994 to support the efforts of states and municipalities, as well as community developers and for-profit businesses, who market to retirees. National Village and The Colony at The Grand was recognized at the AARC 2018 Annual Conference in November at Daytona Beach, Florida.

The AARC's Seal of Approval (SOA) program recognizes communities who have made a commitment, both in hard amenity offerings and soft programs, to provide a high-quality lifestyle for retirees. The endorsement of the AARC has increased the stature of and attraction of the communities in the SOA Program. The AARC is in the process of adding

more consumer-focused marketing programs to further benefit the Seal of Approval communities.

National Village is a 700-acre resort community with 54-holes of world-class golf and a complete aquatics/tennis/pickle ball/fitness center. It includes upscale homes and cottages and is divided into seven villages. There are parks, 300 acres of green space, ten miles of walking trails, a 600-acre fishing lake, and a full-service Marriott Hotel and Conference Center (soon to have a spa and reclassified as a Marriott Resort).

The Colony at the Grand is part of a 734-acre development which also includes the newly renovated Grand Hotel with 405 guest rooms, a conference center, six restaurants, and a spa, along with The Lakewood Club with two 18-hole golf courses, an aquatics/tennis/fitness complex, and a restaurant. The Colony is the residential component with single-family homes and condominiums. Visit www.nationalvillage.com and

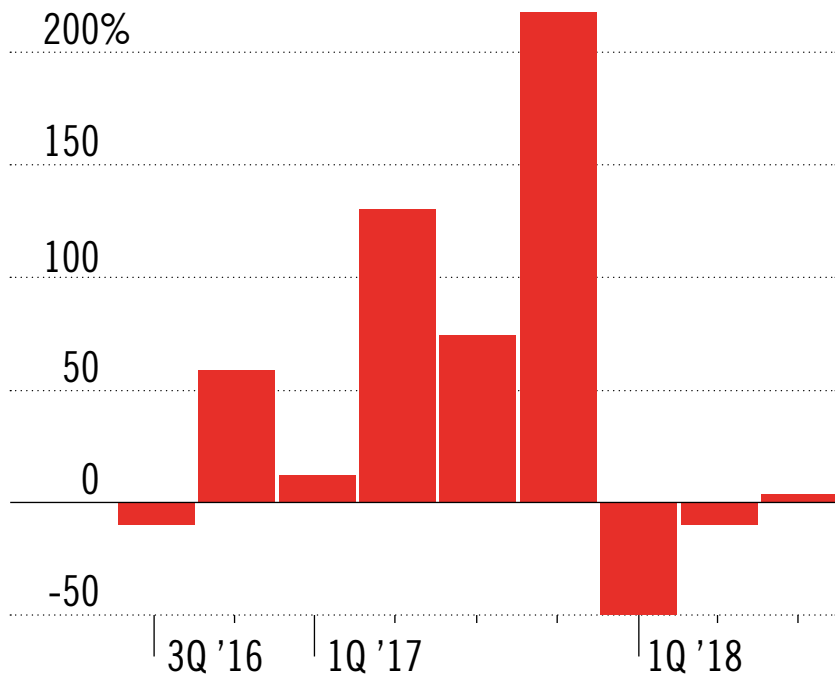
www.colonyatthegrand.com for information on locating to these two fine communities.

Master-Planned Developments in the AARC's Seal of Approval program include Tennessee with two, North Carolina with two, Virginia with one, Arkansas with one, and Georgia with one. Now, Alabama has two. Visit <https://the-aarc.org/> for information on the developments in the SOA Program. AARC's soon coming consumer site will have detailed descriptions, photos, video, web address, and contact information for each development in the SOA Program. ●



Drop-Off

Quarterly change in bitcoin prices



Source: CoinDesk

The Wall Street Journal

Get Your Flu Shot

THE GREAT FLU PANDEMIC

In 1918, "World War I and influenza collaborated," according to Public Health Reports. "The war fostered disease by creating conditions in the trenches of France that some epidemiologists believe enabled the influenza virus to evolve into a killer of global proportions." Crowded conditions in military camps, even those not in the war zone, allow the flu to spread, and soldiers bring the virus home to all parts of the globe. As many as 500 million people, the Centers for Disease Control and Prevention estimates, are infected at some point during the 1918-1919 pandemic. That's an astounding one-third of the global population. As ghastly as the death count is from the war itself, the flu kills about 50 million, including 675,000 Americans. It remains the worst pandemic of recent history. ●



The RSA Staff wishes you a

Merry Christmas!

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FOR RSA MEMBERS

The Battle House, A Renaissance Hotel—Mobile—\$119

- December 4-13, 16-17, 23-30
- January 5-9, 11-19, 27-31
- February 1-13, 18-20, 25-26

The Renaissance Riverview Plaza—Mobile—\$109

- December 7-17, 23-30
- January 5-10, 13-18, 27-29
- February 2-12, 18-19, 27

Marriott Grand—\$127 plus a 15% resort fee

- December 1-2, 4-13, 16-20, 26-29
- January 1-13, 19-24, 27-31
- February 1-7, 10-13, 17-18, 24-28

Marriott Grand—RSA Golf Package—\$199 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

- December 1-2, 4-13, 16-20, 26-29
- January 1-13, 19-24, 27-31
- February 1-7, 10-13, 17-18, 24-28

Marriott Shoals—Florence—\$109

- December 1-2, 9, 16-30
- January 1-8, 10, 13, 16-17, 20-21, 27-28
- February 3-4, 10, 17, 24

Renaissance Ross Bridge—Hoover—\$119

- December 1-31 • January 1-21, 25-31
- February 1-5, 9-12, 14-15, 17-28

Opelika Marriott—\$109

- December 5-13, 16-31
- January 1, 6-14, 20-21, 27, 31
- February 1-4, 10-11, 17-18, 28

Prattville Marriott—\$89

- December 2-3, 5, 8-9, 12, 15-31
- January 1-6, 10, 13, 17, 20-21, 27, 31
- February 3-4, 10-11, 17-18

Renaissance Montgomery—\$119

- December 16-18, 23-27
- January 1-6
- February N/A

RSA Spa Package—\$199—Promotional code—R2A

- December 18, 26-27
- January 2-5
- February N/A

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.

World Nuclear Forces, 2017

COUNTRY	DEPLOYED WARHEADS	OTHER WARHEADS	TOTAL INVENTORY
USA	1,750	4,700	6,450
Russia	1,600	5,250	6,850
UK	120	95	215
France	280	20	300
China	—	280	280
India	—	130–140	130–140
Pakistan	—	140–150	140–150
Israel	—	80	80
North Korea	—	(10–20)	(10–20)
Total	3,750	10,715	14,465

The figures for Russia and the USA do not necessarily correspond to those in their 2010 Treaty on Measures for the Further Reduction and Limitation of Strategic Offensive Arms (New START) declarations because of the treaty's counting rules. Total figures include the highest estimate when a range is given. All estimates are approximate as of Jan. 2018.

Source: SIPRI

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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

P.O. Box 302150

Montgomery, Alabama 36130-2150

Phone: 334.517.7000

877.517.0020

RSA Website: www.rsa-al.gov