



2019 RSA Investment Performance

BY R. MARC GREEN, CIO

Total Portfolio	1 Year	Annualized		
		Last 3 Years	Last 5 Years	Last 10 Years
TRS	2.63%	7.87%	6.96%	8.95%
ERS	2.78%	8.23%	7.14%	9.02%
JRF	3.82%	8.29%	6.98%	9.05%

After a horrific start to the new fiscal year, all defined benefit plans under management at the RSA were able to produce low single-digit returns by September 30, 2019. In retrospect, a high-earnings expectations bar was continuously reset throughout the year as the China tariff battle, previous rate hikes by the Federal Reserve, and a global growth slowdown weighed heavily on earnings and investor sentiment.

Our continued overweight position in large-capitalization domestic equities performed better than both small- and mid-cap stocks as well as emerging and developed international stocks. A general underweighting in core fixed income and shorter duration caused some of our relative underperformance.

In absolute terms, returns were great in fixed income, with that portion of the portfolio returning nearly 9.5% for the year. We have also carried a higher than normal cash equivalent weighting, both as a defensive position and giving us capital to deploy as potential opportunities arise.

Our peer group rankings (State Street Public Funds Universe greater than \$1 billion) for the last year were in the 79th percentile for the TRS and 73rd percentile for the ERS. The five-year ranking for the TRS was in the 34th percentile and the ERS was in the 39th percentile. The ten-year return numbers rank all funds in the top 1/3 of all plans vs. their peer group. ●

Alabama's Opportunity in 2020

BY DAVID G. BRONNER

Too many times in Alabama's history we have had the opportunity to take an important step forward and haven't. The problem is that we are still facing the **SAME** problems that we've had for the last fifty years!

I have written about my dad in the past. He was only able to complete the 8th grade because young men were expected to work on the farm. Due to his serious allergies, he had to leave the farm to run the small-town pool hall. Like Europe back then, most men were expected to follow in their father's footsteps. His business operated from 8 a.m. until 10 p.m., six days a week, with a two-hour break that my mother covered. That alone motivated me to pursue higher education. Thankfully, my dad taught me my most important business lesson. When I would go to him with a young man's idea to change the world, he burned into my brain: "Ideas without money remain ideas."

We all understand there are a handful of outstanding K-12 public schools in Alabama, but far too many are below average. It's called "adequate funding." Years ago, the late General Will Hill Tankersley and I tried to persuade the citizens of Montgomery to increase property taxes – which was at the lowest minimum the state required – to benefit the school system. We lost – not with lack of support from the parents of private school children, but by those families who would have actually benefited.

As we reported in the March 2019 *Advisor* via Bloomberg, the 2018 U.S. home sellers had the biggest gains in 12 years of \$61,000, up from \$50,000 in 2017 and \$39,500 in 2016. MEANWHILE, other sellers lost money in a dozen markets. THE BIGGEST AVERAGE LOSS of \$26,000 was in Montgomery! Having the lowest property taxes means every homeowner loses money in Montgomery on their largest investment!



2020

There is great hope in 2020 for Gov. Ivey and the positive legislative leadership who have already made a huge difference in improving the state's infrastructure and economy. Once you get past 2020, it is more difficult to make significant strides in an election year.

Gov. Ivey's plate is overflowing! We have long ignored problems in funding education, prisons, Medicaid, mental health, and state police, just to name a few. Being only the second woman in Alabama history to be governor, I encourage Gov. Ivey to make history by attacking the problems that too many men have avoided in the past. ●

PROJECTED STATE COSTS FOR 2020–21

Projected Retirement Employer Cost

Retirement Systems of Alabama

(Amounts in millions)

Retirement	Actual 2018-2019	Estimated 2019-2020	Requested 2020-2021
TRS (Teachers')	\$846	\$879	\$871#
ERS (Employees' Regular-State)	216	231	224*
JRF (Judicial)	18	18	18
Total Retirement Cost	\$1,080	\$1,128	\$1,113

Estimated \$513M from Education Trust Fund

* Estimated \$63M from General Fund

Projected Insurance Employer Cost

Retirement Systems of Alabama

(Amounts in millions)

Insurance	Actual 2018-2019	Estimated 2019-2020	Requested 2020-2021
PEEHIP (Teachers)	\$946	\$946	\$946 &
SEHIP (State Employees)	354	355	355
Total Insurance Cost	\$1,300	\$1,301	\$1,301

& Estimated \$674M from Education Trust Fund

Note: PEEHIP numbers exclude amounts from Universities for retiree costs

Note: FY2021 estimated cost for PEEHIP totals \$1.43 billion

Inside the Statehouse

THE STORY OF DR. DAVID BRONNER, RSA, ROBERT TRENT JONES GOLF TRAIL

BY STEVE FLOWERS

Dr. David Bronner has marked his place in Alabama political and governmental history. He has headed the revered Retirement Systems of Alabama pension funds for 46 years. When Bronner took his present job with the RSA, the Retirement Systems had approximately \$600 million of funds. Today, the RSA has approximately \$40 billion in investments, making our RSA the 50th largest public pension fund in the world.

Alabama public employees will swear by, stand up for, and place on a golden pedestal David Bronner. They credit him with securing their retirement years with a solid foundation. Indeed he has. Our Alabama Public Employee and Teacher Retirement Systems are financially sound and the envy of most other states. Bronner was born in Iowa and received his elementary and high school education in Minnesota. He came to Alabama to study law. He earned his Law Degree and PhD from the University of Alabama in 1972. Shortly after graduation, he became Assistant Dean of the Law School at the University of Alabama. Two years later, at age 28, he became head of the Alabama Retirement Systems.

Today, 46 years later, Bronner is a youthful-looking 74 with plenty of vigor and probably no plans to retire. He loves golf and good cigars. When you have a conversation with him, it is an experience you will never forget. He is extremely vivacious and quick-witted. There is no mistaking that you are talking with someone very intelligent. He has digested your words almost before they are out of your mouth and will reply immediately with a succinct response that appears as though he has given it 15 minutes of thought. Of course, that may be because we native Alabamians talk a little slower than he does.

The Retirement Systems of Alabama has contributed a great deal to the state's economy over the last 45 years. The RSA manages pensions for 358,000 public teachers and public employees. At the end of 2018, Dr. Bronner and the RSA had \$43.8 billion under management. However, the greatest legacy that Dr. Bronner may enjoy is his creation of Alabama's Robert Trent Jones Golf Trail. This idea generated a profit for the RSA in the first years. The brilliance of the Trail is not only the profits the Trail generates for the RSA, but the peripheral boost to our state's economy.

The Trail has enhanced the image of Alabama. It has also benefited the state's attractiveness for corporate recruitment. The economical benefits and prestige that it brings to our state are exponential. The courses have made Alabama a tourist destination. It brings well-heeled northern golfers to our state for week-long stays who spend untold amounts of money in our hotels and restaurants. Snowbird golf enthusiasts are locked out of their courses six to seven months of the year. They journey to warm climes of the Heart of Dixie to play these world-class courses. They might look at the adjoining hole and see Dr. Bronner playing, chomping on his ever-present cigar. The Robert Trent Jones Golf Trail's first seven sites were constructed in Birmingham, Mobile, Huntsville, Opelika/Auburn, Dothan Anniston/Gadsden, and Greenville. These seven were completed from 1990 to 1994. The Prattville site opened in 1999 and The Lakewood Club courses in Point Clear and the Shoals joined the Trail in 2004. The premier Hoover site at Ross Bridge appeared in 2005.

RSA resort hotels were developed in affiliation with six of the Trail complexes. The Grand Hotel is adjacent to The Lakewood Club in Point Clear. The RSA Battle House Renaissance Hotel and Riverview are near Magnolia Grove in Mobile. The Marriott at Capitol Hill in Prattville and the Montgomery Renaissance serve Capitol Hill in Prattville. The Shoals Marriott in Florence serves the Shoals complex in Sheffield. The Marriott Resort at Grand National in Opelika serves the Opelika/Auburn course.

The crown jewel may very well be the Ross Bridge course and Ross Bridge Renaissance Resort Hotel & Spa. This Hoover location attracts national conventions and has spawned one of the premier residential neighborhoods in the state. Ross Bridge is home to a good many of the young physicians and medical specialists from UAB.

Dr. Mark Fagan has authored a wonderful book on Alabama's Golf Trail, Dr. Bronner, and the RSA. It is entitled, "Alabama's Public Pension Fund Growth and Economic Expansions since 1972."

[Steve Flowers is Alabama's leading political columnist. His weekly column appears in over 60 Alabama newspapers. He served 16 years in the state Legislature. Steve may be reached at www.steveflowers.us.] ●

Alabama Success Stories

Outreach Programs Keep High-Achieving Students in Alabama and Inspire Students to Pursue Rewarding Careers

BY DEAN NICHOLAS J. GIORDANO, COLLEGE OF SCIENCES AND MATHEMATICS, AUBURN UNIVERSITY

Since 1856, Auburn University has awarded more than 300,000 academic degrees to its students. With a rich tradition in higher education, the university also has a variety of engaging summer programs for younger students so that they can learn about the excitement of a career in science.

During the summer semester, students in elementary through high school participate in outreach programs hosted by the College of Sciences and Mathematics (COSAM) including Science Matters, the Summer Science Institute, and Curious Curators Camps.

Science Matters is a weekly camp for elementary school students that provides hands-on experience on topics such as 3D printing and VEX IQ robots. The Summer Science Institute offers high-achieving 10th and 11th grade students a chance to learn directly from COSAM faculty and conduct college-level experiments.

Curious Curator Camps showcase natural history to young students learning about science.

These programs are not only successful in inspiring students to pursue STEM careers; they add to the framework for economic development throughout the entire state of Alabama.

Students who attend programs on a college campus at a young age become acclimated to the environment of higher education. These students have an opportunity to see the value of attending college in our state, and their parents learn about the possibilities for their young scholars to attend a university in Alabama.

By participating in these programs, students work in university laboratories and classrooms learning about core disciplines of science. These students see that our state is a place for higher learning and advancement through the skills they learned over the summer

and the experiences that will help shape their careers.

The COSAM outreach programs promote the state of Alabama and the valuable resources available at our outstanding universities. They help to keep high-achieving students in our state, provide hands-on experience in STEM fields, and uncover a variety of rewarding, long-term careers in education, manufacturing, healthcare, aerospace, and technology.

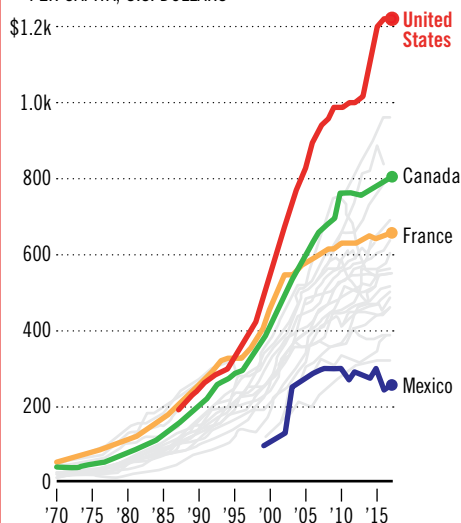
To learn how COSAM is making a direct impact on future leaders in the state of Alabama, visit <https://auburn.edu/cosam>.

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](mailto:correspondences@rsa-al.gov). ●

Still No. 1 – U.S. Drug Costs

Americans spend more on pharmaceuticals per capita than any other country in the Organization for Economic Co-operation and Development (O.E.C.D.).

PHARMACEUTICAL SPENDING
PER CAPITA, U.S. DOLLARS



Note: U.S. spending data unavailable before 1987.
Some O.E.C.D. countries with incomplete data were excluded.
Source: O.E.C.D.

The New York Times

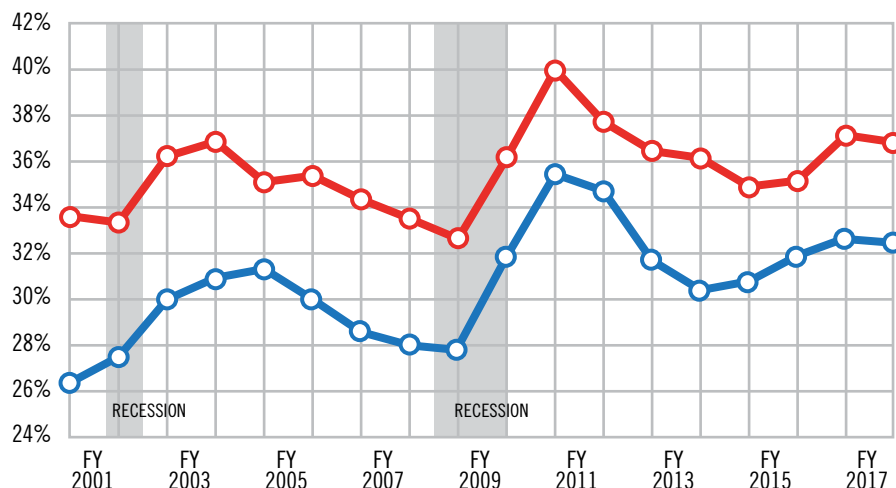
ALABAMA GETS A THIRD OF ITS REVENUE FROM FEDERAL FUNDS

BY GABBY DANCE | ALREPORTER.COM

A new report from The Pew Charitable Trusts showed that Alabama received 36.8% of its revenue from federal funds in the fiscal year 2017. The data analyzed all 50 states, determining how much of each state's revenue comes from federal dollars. Alabama has stayed at a steadily higher percentage than the 50-state share for revenue from federal funds since 2001.

Percentage of State Revenue From Federal Funds, FY 2000–17

■ 50-state share ■ Alabama



However, the state still lies in the middle of the pack nationwide. Neighboring states Louisiana and Mississippi had the third and fourth highest percentages of state revenue coming from federal funds, with 43.7% and 43.3%, respectively. The lowest state was Hawaii, with 20.7% of their revenue coming from federal funds [...]



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The Battle House,

A Renaissance Hotel—Mobile—\$119

- December 8-12, 15-19, 22-29
- January 1, 5, 17-18, 26, 28
- February 2-5, 9-12, 16-18, 26-29

The Battle House—RSA Spa Package—\$207

- December N/A Spa Renovation • January 28
- February 3-5, 10-12, 17-18, 26

The Renaissance Riverview Plaza—Mobile—\$109

- December 1-3, 9-19, 22-26
- January 1, 7-9, 12-13, 17-18, 29
- February 1, 9-11, 16-18, 26-27

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

- December 6-12, 15-30
- January 1-2, 5-12, 17-18, 20-26, 30-31
- February 1-9, 12-19, 22-29

Grand Hotel—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 6-12, 15-30
- January 1-2, 5-12, 17-18, 20-26, 30-31
- February 1-9, 12-19, 22-29

Grand Hotel—RSA Spa Package—\$259

plus a 15% resort fee

- December 6-12, 15-30
- January 1-2, 5-12, 17-18, 20-26, 30-31
- February 1-9, 12-19, 22-29

Marriott Shoals—Florence—\$109

- December 1-5, 8-12, 15-30
- January 1-16, 19-21, 26 • February 2, 9, 16, 23

Marriott Shoals—RSA Spa Package—\$210

- December 1, 8, 15, 22, 29 • January 5, 12, 19, 26
- February 2, 9, 16, 23

Renaissance Ross Bridge—Hoover—\$119

- December 1-31
- January 1-12, 15-19, 22-26, 30-31
- February 1-6, 8-10, 16-22

Ross Bridge—RSA Spa Package—\$223

- December 1-31 • January 1-12, 15-19, 22-26, 30-31
- February 2-5, 9-10, 16-19

Auburn/Opelika Marriott—\$109

- December 1-3, 11-12, 15-31 • January 1-7, 12-31
- February 1-13, 23-27

Auburn/Opelika Marriott—RSA Spa Package—\$201

- December 1-3, 11-12, 15-19, 22-26, 29-31
- January 1-2, 5-7, 12-16, 19-23, 26-27
- February 2-6, 9-13, 23-27

Prattville Marriott—\$89

- December 1, 8, 15, 19-30
- January 1-5, 9-12, 16-20, 26
- February 2, 9, 23

Renaissance Montgomery—\$119

- December 1-2, 22-26, 29-30
- January 1-4 • February 2

RSA Spa Package—\$209—Promotional code—R2A

- December 26 • January 2-4 • 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
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Book Online and Save RSA \$4.

Beware POSTRETIREMENT EMPLOYMENT

A retiree of the Employees' Retirement System (ERS) or Teachers' Retirement System (TRS) who is restored to active service with an ERS or TRS member agency may continue to receive full retirement benefits provided that the retired member meets both the following conditions:

1. Retiree must **not** be employed in a permanent, full-time capacity.
2. The retiree's compensation during the 2020 calendar year cannot exceed \$32,000.00. The earnings limit in calendar year 2020 and each calendar year thereafter shall be increased by the same percentage increase as the increase in the Consumer Price Index.

If a retiree's compensation from an ERS or TRS member agency exceeds the above limit, the retirement benefit will be suspended for the remainder of the calendar year.

During the year in which retirement is effective, retirees are subject to a prorated earnings limit based upon the number of months remaining in the year.

Employment with private industry, private education, or a nonparticipating agency will not affect a service retiree's benefit from the ERS or TRS. ●

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PEEHIP
Donna M. Townes

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

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