



The ADVISOR

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SERVING OVER 339,000 MEMBERS

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TRS Investment Policy

BY DAVID G. BRONNER

The TRS Board voted unanimously (including the two political members who also sit on the ERS Board) to continue to support the successful investment policy recommended by the RSA Investment staff years ago. The Board did not see the need to adopt the changes that the ERS Board had made to the ERS investment policy.

The 2015 fiscal year ending September 30 was difficult, but both the investment returns of the **ERS and TRS were in the top 12% for 2015. The TRS returns were in the top 6% and ERS in the top 10% for the last three years; the TRS in the top 10% and ERS in the top 12% for the last five years**, all according to the State Street Public Funds Universe (59 funds over \$1 billion). ●

THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

NY Teachers' Fund Expands at 55 Water Street

The \$100+ billion Teachers' Retirement System of the City of New York renewed its lease at its 55 Water Street headquarters in the Financial District – and took 40,000 square feet of additional space. The fund signed a 20-year lease for 200,000 square feet at the building. Asking rent for the space was \$58 per square foot.

Ira Schuman, Marc Shapses, Oliver Petrovic, Bill Montana and Kurt Handschumacher of Savills Studley represented the fund. Howard Fiddle, Evan Haskell, Brad Gerla, David Caperna and Mary Ann Tighe of CBRE represented the landlord, the Retirement Systems of Alabama.

The teachers' pension manager currently leases 160,000 square feet at the building. It plans to add a lounge and a waiting room with media walls and touch-screen kiosks, the *Wall Street Journal* reported. The 53-story, 3.8 million-square-foot building is the largest office property in the city based on square footage. "Because the landlord and tenant are both pension funds, the organizations approached the deal with a similar sensitivity toward risk," Schuman told the *Journal*. "The landlord wanted to secure a price they can live with if the market changes."

McGraw Hill Financial, which owns Standard & Poor's, occupies 1.1 million square feet at the building. Hugo Boss rents a 74,000-square-foot space there as well. Photography and production firm Sandbox Studios took 6,000 square feet at the Financial District location in July. ●



55 WATER STREET

RSA Members: It Is Up To You

BY DAVID G. BRONNER

One month from the legislative session, the Joint Committee on Alabama Public Pensions has not made a decision as to whether, if at all, it will explore an alternative pension plan. The RSA Boards and staff have worked with the Committee to educate its members about RSA by explaining operations, investments, pension funding, and how we compare to other pensions. We have even brought in experts to independently verify the accuracy of this information. Our primary goal is to make sure the Committee has the necessary facts so that they won't make a decision that is bad for the plan and you.

The Committee has been very clear that it does not intend to affect the benefits of current members and retirees. Our concern is that certain changes that are being promoted by outside groups could have the unintended consequence of harming current members and retirees.

Many of these groups are promoting alternative pension plans for new members. These plans could increase costs to the system and, in the case of the cash balance plan, could even increase risk of future unfunded liabilities. Many legislators may not know that these proposals could increase costs and risk and thereby make the current plan more difficult to fully fund. This could jeopardize the benefits of current members and retirees.

Make no mistake, these outside critics are both inside and outside Alabama and are spending big money to win. The Alabama Policy Institute, originally started by well-intentioned business leaders, has taken over \$180,000 from the Arnold Foundation. This foundation has spent over \$50 million in a nationwide program to trash public pension funds.

Other critics include the Koch Brothers, who fund college professors at Troy University (over \$298,000) and Auburn University to trash public pension funds, while at the same time, these very same professors are sucking up RSA benefits. The one-time credible Pew Foundation has collected over \$4.8 million from the Arnold Foundation to make a mess of Kentucky and is now helping the Alabama Legislature.

RSA needs your help to protect your pension from these outside groups and the unintended harmful consequences of the plans they are promoting. ●



Update on the Joint Committee on Alabama Public Pensions

BY NEAH MITCHELL, LEGISLATIVE COUNSEL

On December 1, the Joint Committee on Alabama Public Pensions held its fourth meeting. Despite earlier assumptions that the Pew Charitable Trusts would present on the topic of retiree healthcare benefits, Pew instead focused once again on retirement, with only a brief mention of retiree healthcare

benefits. Specifically, Pew discussed RSA's unfunded liability, alternative plans for providing retirement benefits, RSA's Alabama investments, and the structure of the ERS and TRS Boards.

The legislative committee reiterated that it was not the intent of the Committee to recommend changes to the

retirement benefits of active or retired members of the RSA. No recommendations were made at this meeting.

The next Committee meeting will be held in January. The RSA will be given the opportunity to present at this meeting. ●

The Guide to Retirement at National Village

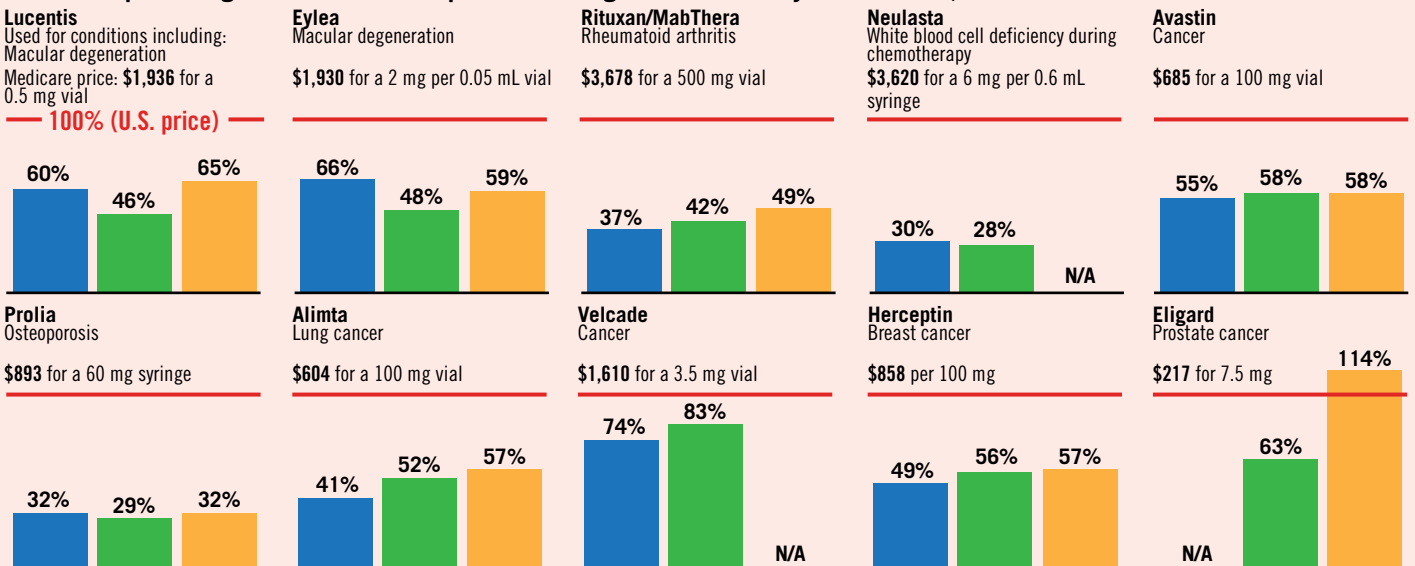
This guide presents detailed information that retirees can use to determine if the retirement lifestyle in Auburn-Opelika can provide fulfillment to them during retirement years. It can also serve as a resource to those wanting details on cost-of-living (including taxes), transportation, healthcare, outdoor attractions, cultural attractions, leisure-time activities, and resources for retired military. A copy can be printed from www.nationalvillage.com or call 334.749.8165 to receive a copy by mail. ●



Same Drug, Higher Price

Here are prices the government health systems of England, Norway and Ontario, Canada, paid for some of the biggest brand-name drugs by Medicare Part B Expenditure, for which pricing was available in multiple countries.

Price as a percentage of U.S. Medicare price in: **England** **Norway** **Ontario, Canada**



Note: Medicare beneficiaries are responsible for paying 20% of prices listed here. Medicare itself covers 80%. Prices listed reflect a temporary 2% discount imposed by federal spending cuts known as budget sequestration. All prices are for third quarter of 2015; foreign prices were converted to U.S. dollars at July 1, 2015, exchange rates. Top drugs were determined by Medicare Part B payments to doctors' offices and medical practices in 2013, the latest year for which data were available. Norwegian prices include 25% Value Added Tax levied on pharmaceuticals. England's National Health Service says prices listed here are "indicative" and may vary in some circumstances.

Sources: WSJ analysis of data from the Centers for Medicare & Medicaid Services; the Norwegian Medicines Agency and the Norwegian Drug Procurement Cooperation; the NHS Business Services Authority; and Ontario's Ministry of Health and Long-Term Care

Editorial: *Montgomery Advertiser*

Small government and no-new-taxes proponents are no doubt celebrating the news that Alabama again ranked last nationwide in per capita state and local tax collections.

That's not a change; the 50th place ranking has been the status quo for more than two decades.

The latest statistics come from the Public Affairs Research Council of Alabama, a Birmingham-based nonprofit think tank interested in good government.

There's only one problem with the low-taxes record. When you go cheap, you get shoddy.

The services Alabama provides its citizens are substandard and worsening because its bottom-of-the-barrel tax policies keep it teetering on the brink of broke.

PARCA's report spotlights the state's perpetual fiscal crisis, saying: "The Governor and Legislature struggle to find enough money to adequately support the functions of state government. In the past several years, the government has made cuts to programs, borrowed from the state savings account, and applied one-time sources of money to balance the budget."

That certainly happened this year when it took two special sessions for lawmakers to cobble together an anemic General Fund budget that level funded some state agencies but inflicted damaging cuts to others, from law enforcement to environmental protection.

In total, Alabama collects \$3,046 per capita in state and local taxes, far below the national average of \$4,599. And below every other Southeastern state, from Louisiana, ranking 40th at \$3,795, to Tennessee, ranking 49th at \$3,106.

Here's where the shoddy comes to bear: In crumbling roads and infrastructure that endanger drivers and discourage industry from locating in the state. Gov. Robert Bentley says he'll support a gas tax increase next year to begin to address the transportation crisis, but tax-averse legislators may again stonewall on raising new revenue.

In overcrowded prisons, now at risk of an expensive federal takeover because of years of underfunding.

In starving court systems where justice delayed equals justice denied is standard operating procedure.

In stingily funded schools that serve

up low achieving students. In just one example, the state's community colleges can't recruit or keep instructors qualified in high-tech fields because of shoddy salaries, the *Decatur Daily* reported. Instead, they flee to private industry, and education and workforce strength suffers.

The PARCA report also explains in detail how the overall unfairness of Alabama's antiquated tax system burdens the poor and privileges the rich.

It's a regressive system that relies far too heavily on sales tax revenue, taxing even the groceries that low-income families put on the table, and taking a greater proportion of their earnings than those of the wealthy.

Alabama is also the nation's lowest ranking collector of property taxes, with generous perks carved out for wealthy agricultural and timber interests.

None of these problems will be easily solved. But the most disturbing aspect of Alabama's tax-related financial ills is that very few elected leaders show the courage to begin, somewhere, to right the ship of state. ●

Huge CEO Retirement Pay

BY MARK MILLER | REUTERS

Most fast food workers do not earn enough to retire with much of a pension. Then there is David Novak, executive chairman of YUM Brands, the conglomerate that runs Taco Bell, Pizza Hut, and KFC outlets. Novak's total retirement holdings, including deferred compensation, are worth \$234 million—more than any other Fortune 500 chief executive.

Novak tops the list of Fortune 500 CEOs with the largest retirement nest eggs, according to a study from two progressive think tanks—the Center for Effective Government and the Institute for Policy Studies.

Their data comes from Security & Exchange Commission filings for the 500 largest public companies. The figures are stunning and cast a harsh and troubling light on soaring retirement inequality.

... The top CEO retirement accounts are worth a combined \$4.9 billion—equal

to the total retirement account savings of the 41% of all American households with the lowest retirement wealth, according to the study. Among all Fortune 500 CEOs, the typical value is \$17.7 million. That includes the present value of defined benefit pensions, 401(k) account balances and other deferred compensation. John Hammergren, CEO of drug wholesaler McKesson—which froze its employee pension fund in 1996—has the largest Fortune 500 pension account, valued at \$114 million. McKesson declined to comment. A spokeswoman for YUM noted its stock appreciated 900% during Novak's tenure.

The CEO numbers are a stark contrast to the rest of us. In 2013, pre-retirement households (age 55-64) with annual income below \$39,000 had median total retirement savings of \$13,000 in 401(k) and IRA accounts, according to the Center for Retirement Research. Middle-class households (income from

\$61,000 to \$100,000) had median savings of \$100,000. Only in the highest-income band (\$138,000 or more) were accumulations significant, at a median of \$452,000.

Changes in our retirement benefit structure play a big role in account balances—especially the sharp decline in the share of private-sector workers receiving traditional defined benefit pensions. In the past decade, 54 Fortune 500 companies changed their defined benefit pension plans, according to the Pension Rights Center—either reducing benefits, freezing plans or closing them to new hires, or terminating them altogether....

[Editor's Note: Defined Benefit programs are used by utility and insurance companies to retain staff.] ●

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

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**The Battle House,
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• March 6-9, 13, 23-31

The Renaissance Riverview Plaza – Mobile – \$99
• January 3-7, 10-14, 17-18, 24-26, 31
• February 3, 11, 13, 16-18, 21, 24
• March 13-17, 23-31

Marriott Grand – \$109 plus a 15% resort fee
• January 3-7, 10-14, 17-18, 24-26, 31
• February 1-18, 22-25, 28-29
• March 1, 6-9, 16, 27, 31

**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
• January 3-7, 10-14, 17-18, 24-26, 31
• February 1-18, 22-25, 28-29
• March 1, 6-9, 16, 27, 31

**Marriott Shoals – Florence – \$99;
Breakfast Package \$124**
• January 1-11, 14-15, 17-18, 22-25, 28-31
• February 1-4, 7-11, 14-15, 22, 28
• March 3, 13-15, 20-21, 24-28, 31

Renaissance Ross Bridge – Hoover – \$109
• January 1-18, 22-30
• February 1-3, 6-11, 14-15, 24-25, 28-29
• March 1-3, 6-7, 9-31

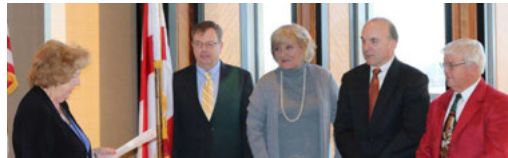
Opelika Marriott – \$99
• January 9-12, 21, 24, 31 • February 2-10, 14-18, 21-22
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Prattville Marriott – \$89
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• March 20-31

Renaissance Montgomery – \$109
• January 1-9, 13, 18, 23-26, 28, 31
• February 6-7, 10, 14
• March 6-7, 13-14, 17-28, 30-31
RSA Spa Package – **\$189 – Promotional code–R2A**
• January 1-2, 5-9, 13, 23, 26, 28 • February 6, 10
• March 17-19, 22-26, 30-31

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.



TRS Oaths of Office

TRS Board Chair Sarah Swindle gives the Oath of Office to Russell Twilley, Support Personnel Position No. 2; Charlene McCoy, Teacher Position No. 3; Don Large, Higher Education Position No. 2; and Richard Brown, Principal Position, at the December Board meeting.

TRS Board of Control Election Results and Runoff Election

The TRS Election Committee met Wednesday, December 2, to certify the regular election results. Susan Brown ran unopposed for the Postsecondary Position. Ricky Whaley was re-elected to Teacher Position No. 2, and Susan Lockridge was re-elected to Support Personnel Position No. 1. Joseph Van Matre has been elected to Higher Education Position No. 1. Their 3-year terms will begin July 1, 2016. Congratulations to all of the winners!

A runoff election will be held for the Teacher No. 1 and the Retired No. 1 positions. Cathy McNeal and Teresa Swindall are running for the Teacher position, while Peggy Mobley and Gerald Johnson are running for the Retired position. Ballots for this election will be mailed no later than January 5, and must be returned to VR Election Services in Carrollton, TX, by 4:00 p.m., February 7. Make your vote count! Your participation will ensure a fiscally sound retirement system for the future.



ERS Oaths of Office

Board Vice Chair Jackie Graham gives the Oath of Office to Jimmy Rowell, Retired State Position; Ben Powell, Active Local Employee Position #2; and David Bollie, Active State Employee Position #2, at the December Board meeting.



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