



## Full Funding for ERS and TRS in Current Proposed Budgets

BY NEAH MITCHELL,  
LEGISLATIVE COUNSEL

The Alabama Legislature has been faced with an extremely difficult budget year this session. Due to a major shortfall in anticipated revenue for the General Fund and high demand for limited funds in the Education Trust Fund, the Legislature has had to make some tough decisions in drafting the budgets. Despite this, the Legislature has fully funded both the Employees' Retirement System (ERS) and the Teachers' Retirement System (TRS) at the actuarially set employer contribution rates in the current proposed budgets.

In fact, the Alabama Legislature has *always* made the full, actuarially-required contribution. Representatives of the Pew Charitable Trust recently testified at legislative budget meetings that Alabama was one of only 15 states that have done so. Making the full contribution is critical to ensuring the fiscal health of the state's retirement systems.

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## Sometimes One Should Not Say What One Thinks

BY DAVID G. BRONNER

In 2012, the University of Alabama and Auburn University Montgomery (AUM) completed in-depth studies on the economic impact of RSA's investments in Alabama. To say the studies showed a greater impact than I anticipated would clearly be "the understatement of my RSA career". You can read these studies on our website in the *Investments* section.

The AUM study detailed the economic impact from 1990 to 2011 to be: (1) **\$28.0 billion** of additional GDP for the state; (2) **\$14.3 billion** of earnings (payroll) for Alabamians; (3) **282,564 FTE jobs** in the last 22 years; (4) the state received **\$1.1 billion** in additional tax revenue; and (5) the Educational Trust Fund and General Fund received **\$48.7 million** additional revenues per year.

Yet today, some RSA critics are still complaining about RSA's 21 years of investing in Alabama hotels and golf courses. They seem to forget that tourism has grown from a \$1.8 billion industry 21 years ago to an approximately \$12 billion industry today. That is \$10 billion more a year coming into Alabama from tourism. If anyone has an idea that will have a similar impact, the RSA is all ears and anxious to help.

The total investment in the RTJ Trail is \$200 million, while the total investment in RSA's eight hotels (please remember we have four of the top five Marriott hotels in North America) is \$375 million. With our current assets of \$33 billion, those two investments only total 1.7% of the investment portfolio.

The growth of tourism did not just happen. It is tied to many different projects including the RTJ Trail, Space Camp, Gulf beaches, Talladega races, the Black Belt Institute, and more. A large contributing factor is due to Raycom Media (RSA television investment) and CNHI (RSA newspaper/magazine investment) providing a huge advertising program for Alabama at no cost to the state.

Finally, I would like to add that our total investment performance has been in the top 25% the last five years and the top 13% the last three years, while also having one of the lowest investment costs in America. ●

## Editorial: *Montgomery Advertiser*

It's the time of year for grumbling about taxes, and Alabamians are among the greatest grumblers. For all the grouching, however, the fact is that Alabamians are not overtaxed by any reasonable understanding of the term and actually are among the lowest taxed Americans.

We may be pelted with a barrage of crumpled 1040 forms for saying it, but it's true. Figures from the Federation of Tax Administrators on per capita taxation make interesting reading and prompt interesting speculation on what our state might be

like if we chose to tax ourselves at the rates of some other states. We don't mean the high-tax states such as New York or California, but similarly situated states such as Mississippi, West Virginia, Kentucky and Arkansas.

The federation's most recent report shows Alabama's per capita state taxation at \$1,917. Consider the fiscal impact of per capita taxation in Alabama equaling that of the four states mentioned above.

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# The Grand Hotel Makes USA Today's 10 Best Historic Hotels

SOURCE: AL.COM

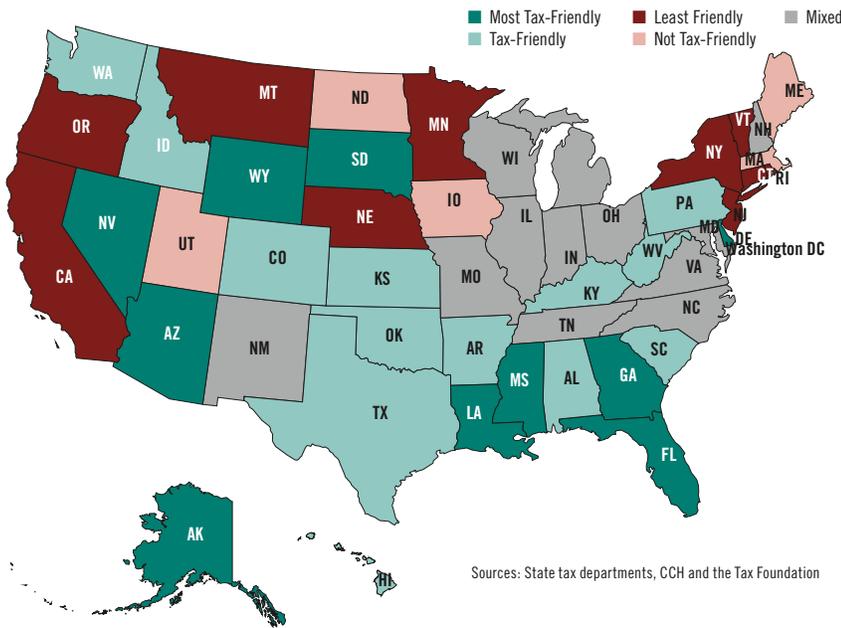
The results of USA Today's 10 Best Reader's Choice Awards poll ranking the Best Historic Hotels in the country are in. The Grand Hotel Marriott Resort, Golf Club and Spa in Point Clear is No. 6 on the list. And it's the only hotel in the south that made the 10 Best. For more about the 10 Best awards, visit [www.10best.com/awards](http://www.10best.com/awards).

The Grand, which is nearly 170 years old and is famous for its sumptuous brunches, is accustomed to being honored



by top travel publications. For example, last year, it was ranked 18th in the "Best Resort in the South," category of *Conde Nast Traveler* magazine's 2014 Reader's Choice Awards, and in 2013, the Historic Hotels of America named the Grand the "Best Historic Hotel" in the country. *Travel & Leisure* magazine also listed "The Queen of Southern Resorts" as one of the Top 500 Hotels in the World for 2013. It was the only hotel in Alabama, Mississippi and the Florida panhandle to make the list. ●

## Retiree Tax Map



## Go West

Number of Chinese undergraduate students, '000



Sources: Institute of International Education; Higher Education Statistics Agency

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Failure to make contributions is a key reason for financial problems facing many state retirement systems, such as New Jersey and Illinois.

The full funding provided by the Legislature is not always apparent to the members of ERS and TRS. And the Legislature rarely receives praise for its dedication to fully funding Alabama's retirement systems. But in light of the difficult financial situation facing the state and the bleak funding status of other state retirement systems, it is important to not only recognize the Legislature's dedication, but to also thank them. Without full funding of the employer contribution every year, Alabama's retirement systems would be in dire financial straits. Instead, ERS and TRS are financially sound and will continue to pay out the hard-earned retirement benefits to their members. ●

## 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

## New York's Leaky Public Pension Funds

SOURCE: *THE NEW YORK TIMES*

The New York City comptroller, Scott Stringer, went public last week with news that some financial reporters found blindingly obvious, but it still should get the rest of the public steaming mad. It is that billions of dollars have been leaking out of the city's five public-employee pension funds, in payment for Wall Street money management that wasn't worth it.

Mr. Stringer's office did an analysis of the funds and found that the high fees of managers and failure to reach performance goals had cost the pension system \$2.5 billion in lost value over the last 10 years.

To be more precise: The analysis found that over the 10 years, the managers of "private" asset classes, such as hedge funds and real estate, fell \$2.6 billion short of target benchmarks after fees were accounted for. Over the same period, managers of public asset classes, like stocks and bonds, slightly exceeded their benchmarks. "However, those managers gobbled up more than 95 percent of the value added — over \$2 billion — leaving almost no extra return for the funds," Mr. Stringer's office said.

It's commonly known that active investment management is expensive, that Wall Street wolves always take their bite, and that they can make bad bets as often as good ones. But it seems fair to ask why it has to be this way with this giant pool of taxpayer money, a pension system of nearly \$160 billion that is supposedly run by the best minds the city can find, for the benefit of 715,000 retired cops, firefighters, teachers and others.

Even nonexperts can grasp a primal personal-finance principle: buy low-cost funds linked to the overall performance of the stock market, be patient and don't try to outsmart the market or pay someone an arm and a leg to do it for you. That a succession of city comptrollers and fund trustees — who, it should be noted, once included Mr. Stringer, a trustee in his old job as Manhattan borough president — would never have thought of this before and found ways to reduce the damage done by excessive fees, is incredible.

Mr. Stringer told *The Times* that the problem stems from bad decisions and overlooked data. Relevant information about fees lay buried deep in footnotes of financial reports that no previous comptroller's office had ever bothered to extract or publicize. Which leads to the obvious next question: Mr. Stringer announced the bad results, but he did not name names or firms behind them. He says he will do so in coming months, as his office does what it says is a tedious, complicated job of dissecting reports and correlating dollars with performance.

He should keep that promise. Transparency and accountability are unusual in the murky world of public pensions, which have seen their share of criminality and abuse. Now that Mr. Stringer has taken up the cause, his next task is to offer ways to better protect taxpayer funds. At the very least, the city should drive a harder bargain with Wall Street, and cultivate in-house investing expertise over high-priced outside management. And it should give city pensioners a clear, honest, easy-to-understand accounting of where the money goes, and to whom. ●

## North Carolina Plows \$250 Million into Private Equity in Own Backyard

SOURCE: DOW JONES & COMPANY, INC.

The North Carolina Retirement Systems is committing \$250 million to Grosvenor Capital Management to back businesses and private equity funds focused on the state, making the \$90 billion pension system the latest to expand its investment footprint in its backyard.

North Carolina plans to invest out of a customized vehicle called the North Carolina Innovation Fund II, according to a slide deck reviewed by Dow Jones. About two-thirds of the mandate will go into co-investments, with the remainder to be allocated to funds in a range of strategies including venture capital, buyouts and mezzanine debt. Investments will generally range from \$2 million to \$20 million in size, portfolio guidelines state....●

## Editorial: *Montgomery Advertiser*

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**If it were the same as the almost identical amounts in West Virginia (\$2,900) and Arkansas (\$2,901), Alabama, with our population of 4.8 million, would see additional annual revenue of about \$4.7 billion.**

**If it were the same as in Kentucky (\$2,461), Alabama would have an additional \$2.6 billion.**

**If it were the same (\$2,475) as in lowly Mississippi, the state for which Alabama historically has said "Thank God" in national surveys, our state would have another \$2.7 billion.**

No one would mistake Alabama for a rich state, but does anyone really believe that Alabamians could not afford to pay taxes at levels similar to people in Mississippi?

Imagine the fiscal impact in Alabama — on schools, health care, prison reforms, infrastructure and all the other important needs our state continually struggles to find ways to fund.

To cite Mississippi is not setting the bar very high. It says a great deal about Alabama's decades of avoiding realistic treatment of taxes, of clinging to regressive forms of taxation such as sales taxes, of shrinking income taxes with deductions not allowed in most other states, of enshrining ludicrously low property taxes as a perverse point of pride.

And so Alabama lurches along, flailing around for one short-term solution after another, struggling this year with a budget shortfall that would represent barely a tenth of the additional revenue Mississippi-level taxation would provide.

It doesn't take courageous, visionary leadership to grasp this. All it takes is a clear-eyed look at reality. ●

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MONTGOMERY, ALABAMA 36130-2150

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**PAID**  
MONTGOMERY, AL  
PERMIT NO. 402



Member Hotel  
Discounts Webpage

ENJOY YOUR SUMMER  
A Special Deal  
FOR RSA MEMBERS

**The Battle House,  
A Renaissance Hotel—Mobile—\$109**  
• June 1-11, 14-23 • July 1-9, 12-18, 26-30  
• August 4-27, 30-31

**The Renaissance Riverview Plaza—Mobile—\$99**  
• June 1-9, 19-24 • July 5-10, 18, 26-30  
• August 1-12, 16-28

**Marriott Grand—\$109** plus a 15% resort fee  
• June 3, 7-8, 28-30 • July 1, 5-7, 22, 29  
• August 16-18, 23-24

**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  
• June 3, 7-8, 28-30 • July 1, 5-7, 22, 29  
• August 16-18, 23-24

**Marriott Shoals—Florence—\$99;  
Breakfast Package \$124**  
• June 7, 14, 21-22 • July 2, 19, 30  
• August 2-3, 9, 13, 16-17, 20, 23-24, 27, 30-31

**Renaissance Ross Bridge—Hoover—\$109**  
• June 1-4, 7-9, 11, 14, 17, 21, 25-27, 31  
• July 1-2, 5-9, 12, 19-21, 26, 28-29  
• August 2, 4-6, 9-12, 16-17, 19-20, 23-30

**Opelika Marriott—\$99**  
• June 1-4, 7, 14-18, 21, 24, 28-30  
• July 1, 20-21, 23, 26-28  
• August 2-3, 5-6, 12-13, 16-18, 23

**Prattville Marriott—\$89**  
• June 1, 5-10, 21, 26-27  
• July 1-2, 13, 19-20, 23, 26-28  
• August 2-4, 9-10

**Renaissance Montgomery—\$109**  
• June 1-2, 4-7, 12-13, 17-19, 25-27  
• July 12-14, 16-18  
• August 2-3, 7-13, 16-31  
RSA Spa Package—**\$189—Promotional code—R2A**  
• June 2, 4-6, 12-13, 17-19, 25-27  
• July 2, 13-16, 25, 29  
• August 7-8, 11-12, 18-22, 25-29

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](http://www.rsa-al.gov)  
**Book Online and Save RSA \$4.**

## Candidates Sought for Six TRS Board Positions

Candidates are now being sought for six Teachers' Retirement System (TRS) Board of Control positions. The six positions will be filled in an election that will take place this October. Elected members will begin their three-year term of service on July 1, 2016.

The positions to be filled are Teacher Position No. 1 (Teresa Harbison Swindall), Teacher Position No. 2 (Ricky Whaley), Support Personnel Position No. 1 (Susan Lockridge), Retired Position No. 1 (Sarah Swindle), Postsecondary Position (Susan Williams Brown), and Higher Education Position No. 1 (Ray Hayes).

In order to qualify as a candidate for the Board, potential candidates must complete the Letter of Intent and Certificate of Assurance forms along with the Candidate Biographical Information form. The completed forms must be returned to the TRS office no later than 4:00 p.m., **September 7, 2015**. Nomination petitions with signatures are no longer required.

If you are eligible and interested in running for any of the above positions, candidate forms are available on our website at [www.rsa-al.gov](http://www.rsa-al.gov) or contact the Elections Coordinator Deborah Kirk at 334.517.7192 or 877.517.0020. ●

## ERS Board Election News

Election ballots for Active Local Position No. 2, and Retired State Position on the ERS Board of Control were mailed in May to all active local unit employees and state retirees. Eligible voters may cast their votes by internet, phone, or mail. All votes must be cast by **4:00 p.m., Monday, June 15, 2015**, to VR Election Services. Candidate and election information is available at [www.rsa-al.gov](http://www.rsa-al.gov). Any questions regarding the election may be directed to the Elections Coordinator Deborah Kirk at 334.517.7192 or 877.517.0020. ●



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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](http://www.rsa-al.gov)