



Vol. XLI — No. 9

SERVING OVER 345,000 MEMBERS

March 2016

Their Words About Alabama

SOURCE: THE NATIONAL COUNCIL ON TEACHER RETIREMENT, WWW.NCTR.ORG

In Alabama, where the Legislature established a Joint Committee on Public Pensions last year, Pew has appeared and – no big surprise – has “suggested the state explore other options for pensions, ranging from cash plans to expanding options for defined contribution plans, like 401(K) funds,” according to a report in the *Montgomery Advertiser*.

Furthermore, in an example of how Pew’s partner, the Arnold Foundation, uses its billion-plus dollars to help coordinate attacks on the public sector defined benefit model, the Alabama Policy Institute no doubt used part of the \$180,000 grant that it received from the Arnold Foundation to “support educational efforts related to public employee benefits reform in Alabama” in order to produce its 2015 report entitled “Alabama’s Public Pensions: Building a Stable Financial Foundation for the Years Ahead.” This report characterizes Alabama’s present DB system as a “gaping wound”.

Also, perhaps not surprisingly, the report recommends that Alabama “should implement a cash balance pension plan for all new employees (and offer an opt-in provision for any current employee who wishes to participate).” This is despite the fact that the cash balance model they propose would assume an eight percent return on investments, a rate of return that they criticize as “overly optimistic” when the DB plan uses it. This is just one of the many flaws in their proposal that the Retirement Systems of Alabama points out in a detailed rebuttal of the Alabama Policy Institute report. This report and other information is located on our website at www.rsa-al.gov. ●

The Fourth Leg of the Economic Stool

BY DAVID G. BRONNER

Montgomery has become the first city in Alabama and fourth in the South with an Internet Exchange, known as Montgomery Cyber Connection. The other three are in Miami, Jacksonville, and Atlanta. Until now, everything from emails to videos were routed through those three hubs. According to city, county, and military leaders, this Internet Exchange will connect every person, business, and device to the rest of the world at the speed of light and help attract tech companies and high paying jobs.

Two decades ago, the RSA provided the \$100 million needed for the state to attract Mercedes creating the first leg on the stool that lead to the auto industry in Alabama. About the same time, another leg to the stool was added with the revitalization of Montgomery and later Mobile. Then came the third leg with the golf courses and hotels, which helped move tourism revenue from \$1.8 billion per year to over \$12 billion per year. The fourth leg is the Internet Exchange located in the RSA Data Center in the RSA Dexter Avenue Building.

The RSA Datacenter was built to bring industries to Alabama and provide them with a Colocation that is safe, secure and fully redundant from end to end. Having an Internet Exchange in our facility has now provided the state of Alabama the bandwidth that businesses are looking for to run their businesses.

As stated by Mayor Todd Strange, “This partnership (city, county, military and RSA) is the first step to unleashing a wave of economic development that may rival Hyundai.” The Hyundai development has created an economic impact in Alabama of nearly \$5 billion annually.

A special congratulations to the great leadership of the city, county, and especially our great military. ●

When the RSA Bought a Skyscraper, Smashed the Mob, and Launched an Empire

BY CASEY TONER | AL.COM

Alabama’s pension system bought a 3.8 million-square-foot skyscraper in New York City in 1993 for a fraction of its worth and needed an honest man to run it.

So they turned to an undercover

detective who was working under a fake name in concert with a legendary New York City district attorney to take bribes from mobsters. The ensuing investigation helped lead to the downfall of two of the nation’s largest crime families, the end of

a multi-million dollar garbage collection racket, and helped launched an unlikely second act for a New York cop. This time under his real name.

As for the Retirement Systems of

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When the RSA Bought a Skyscraper, Smashed the Mob, and Launched an Empire

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Alabama, the building was a windfall investment. Purchased for about \$202 million, the 53-story floor is now worth an eye-popping \$1.5 billion. It rents at \$58 per square foot and leases to some of the biggest names in fashion and business. Millions of dollars of proceeds from the skyscraper flood into the RSA coffers annually. Perhaps more importantly, the building's success gave them a seat at the table for bigger business deals to come.

It cleared the path for future RSA investments in resorts, office buildings, golf courses, a media conglomerate, and other businesses that now color the Alabama landscape. Today, the RSA has more than \$38 billion in assets and its CEO David Bronner is one of the most powerful businessmen involved with state government....

Talk about fake it until you make it. That's exactly what Harry Bridgwood did at 55 Water Street. A New York City undercover detective, Bridgwood's corporate experience was limited. He co-owned a sporting goods store with two other police officers, shared a franchise for a Tropicana juice delivery route, and never graduated from college, according to a *New York Times* story. But what he lacked in his business background, he made up with his courage and believability, according to former New York City District Attorney Robert Morgenthau. Morgenthau, a celebrated World War 2 veteran, said that Bridgwood had the right character to do the job. "Nobody suspected him," said Morgenthau, now 96. "He played the role of a corrupt owner's agent really well." The idea was that Bridgwood, wearing a wire and using the fake name "Paul Vassil," would coordinate bribes and rig bids with V. Ponte & Sons. Morgenthau has deep Alabama ties and had previously collaborated in the past with Bronner, who signed off on the project.

In 1992, Bronner and the RSA led a bankruptcy takeover of the 53-story

building after its former owners defaulted on \$548 million worth of loans on the building. The RSA was the largest single holder of the loans, with \$100 million worth, and put together a deal to buy out the other loan holders for 29 cents on the dollar. At the time, the building was in desperate need of repair and beholden to a number of criminal forces. None was bigger than the garbage collection firm that had the contract at the building for more than two decades. At their height, the Gambino and Genovese crime families that controlled the garbage cartel overcharged their clients up to \$500 million a year, prosecutors alleged. This wasn't the only scam either.

In an interview with AL.com, Bronner recalled a tiny flower garden in the building that one man was paid \$50,000 a year to water. There was also a ghost payroll scheme where 15 union members were charging the building for the work of thirteen non-union immigrants. "Everything had a scam to it," Bronner said. "You name it, there was something going on."

Wearing one of three suits Morgenthau purchased for him from a prominent New York City designer, Bridgwood made his debut in October 1993 at 55 Water Street under the name Paul Vassil, according to a *New York Times* story. As the CEO, Bridgwood's first job was to oversee a \$150 million renovation that would turn the run-down building into a first-class property.

Part of the process of renovating the building included rebidding the building's costly service contracts. That meant the mob-controlled garbage enterprise – which was overcharging the skyscraper by \$1 million annually – might be out of work. Bridgwood met with Vincent Ponte, the son of Angelo Ponte, the former head of what once was New York's largest garbage-hauling company. During their meetings, Ponte slipped Bridgwood two envelopes containing \$5,000 worth of cash

to keep the contract with the skyscraper, and later to see the bids at the last minute so that his firm could undercut them. Then, the police swooped in. A total of 34 people, 34 companies, and four trade waste associations were indicted as part of the five-year investigation.

"We know the cartel functioned because we infiltrated it," Morgenthau said in a June 1995 press release announcing the indictments. "We attended their meetings. We dealt directly with their leadership. We saw and experienced first-hand how the cartel used its coercive powers and its organized crime connections to ensure that no one would challenge their control. In short, we became an accepted member of the established criminal enterprise." Interestingly, Morgenthau noted that it "took the Retirement Systems of Alabama to stand up and do the right thing." Ponte pleaded guilty to accepting \$10,000 in bribes, got five years on probation, and now has a job with Ponte Equities. He did not respond to multiple messages. His father, Angelo Ponte, was sentenced to two to six years in state prison.

In the end, Harry Bridgwood became who he pretended to be. When the investigation wrapped up, Bronner kept the former undercover police officer as the head of 55 Water Street....

Today, the skyscraper is the jewel of the RSA's eclectic real estate portfolio which includes a number of high-rise office buildings in Mobile and Montgomery. It all started with a fake persona and the mobbed up skyscraper that the RSA bought on the cheap. "We're in Alabama, the fifth poorest state in America," Bronner said. "Who cares about Alabama besides you and me and a handful of other people? The point is the world didn't care about us. It made us a player." ●

To read the full story, visit www.rsa-al.gov.

Proud of Alabama

Listed below are the rankings of RSA's Alabama properties compared to all Marriott properties in North America for golf and spas.

- Golf (total number of hotels with golf – 28); RSA had 4 of the top 5
 - Prattville #2
 - Grand #3
 - Auburn/Opelika #4
 - Ross Bridge #5
- Spa (total number of hotels with spa – 95); Shoals was #1
 - Shoals #1
 - Grand #9
 - Ross Bridge #12
 - Battle House #31
 - Montgomery #39



Two National Housing Awards, a First for Alabama

The National Association of Homebuilders handed out their awards in January in Las Vegas, and two of the recipients had direct ties to Fairhope and Opelika, Alabama.

Colony at the Grand, a development of the Retirement Systems of Alabama (RSA) in Fairhope, was awarded the Nationals 2016 Gold Award, the National Association of Homebuilder's highest award. The home won for best architectural design for a single family detached home priced from \$350,000 to \$500,000. The winning home design was for the Battles Trace model home at Colony at the Grand, near the Grand Hotel Marriott Resort, Golf Club & Spa. The builder was Stuart Contracting Co. Inc. and the architect was Larry Garrett Designs.

"This is a huge honor because this national competition has never had a Gold Award winner from Alabama," said Margi Ingram, president of Ingram & Associates. "We knew Colony at the Grand was an exceptional development and this honor spotlights Alabama on an international stage."

A Nationals 2016 Silver Award was presented to another RSA Community, National Village in Opelika. The Silver Award was for best interior merchandising of a model home priced under \$350,000. The winning home is in Quail Ridge, one of the newer sections in National Village. Conner Brothers Construction were the builders and Bee Martin Little of Set to Sell Staging was the merchandiser.

"In the highly competitive design and building industry, this is a real honor to bring back to Opelika," said Ingram. "We are very proud of our homes and this honor recognizes the high level of design within them." ●

1997

MSERS* is fully funded at 109%
Michigan Closes Pension System to New Employees.

2012

Without New Employees Paying into the System, MSERS is Underfunded at 60%

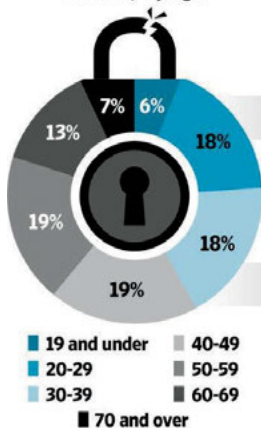
* MICHIGAN STATE EMPLOYEES RETIREMENT SYSTEM

CLOSING A PENSION = HIGHER COSTS FOR ALL

Cyber Thieves Target Children

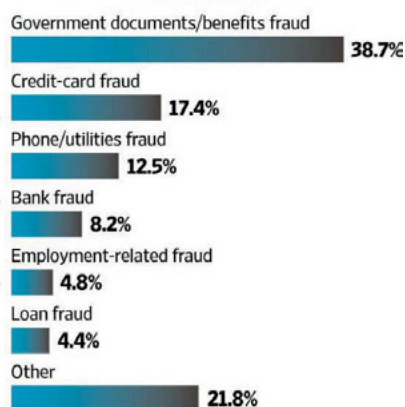
Who Are You ...

Identity-theft complaints in 2014, by age



...and What Happened?

How victim information was misused



Source: Federal Trade Commission's Consumer Sentinel Network

THE WALL STREET JOURNAL

YES

AMENDMENT ONE

An important constitutional amendment (Statewide Amendment 1) will be on the ballot **March 1, 2016**. The Legislature passed Judicial Retirement reform (Act 2015-498) and legislation (Act 2015-342) to phase out the costly supernumerary systems for Circuit Clerks and District Attorneys. **These changes will not take effect unless the voters pass this constitutional amendment.**

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

RETIREMENT SYSTEMS OF ALABAMA
201 SOUTH UNION STREET
P.O. BOX 302150
MONTGOMERY, ALABAMA 36130-2150

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PAID
MONTGOMERY, AL
PERMIT NO. 402**



Member Hotel
Discounts Webpage

ENJOY YOUR SPRING
A Special Deal
FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel – Mobile – \$109

- March 6-9, 24-31 • April 3-7, 10-12, 17-21, 24-27
- May 2-5, 8-12, 15-19, 22-26, 29-31

The Renaissance Riverview Plaza – Mobile – \$99

- March 13-17, 25-31 • April 3-7, 10-11, 17-27
- May 6-14, 24-31

Marriott Grand – \$109 plus a 15% resort fee

- March 1-2, 6-9, 16-17, 27-29
- April 3-7, 10-13, 17-18, 24-26
- May 1-2, 8, 15, 22-26

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

- March 1-2, 6-9, 16-17, 27-29
- April 3-7, 10-13, 17-18, 24-26
- May 1-2, 8, 15, 22-26

Marriott Shoals – Florence – \$99;

Breakfast Package \$124; Spa Package \$198

- March 3-6, 8-9, 13, 18-21, 24-31
- April 3-7, 10-11, 14-18, 21, 24-25, 28
- May 1-2, 8-9, 15, 19, 22-23, 26, 30-31

Renaissance Ross Bridge – Hoover – \$109

- March 1-6, 9-10, 13-31 • April 1-11, 14-21, 23-28
- May 1-4, 8-12, 15, 18-19, 22-26, 29-31

Opelika Marriott – \$99

- March 13-14, 20-21, 24-28 • April 3-5, 10-12, 17-18
- May 5, 8-9, 15-16, 22-23, 26-31

Prattville Marriott – \$89

- March 6, 11-14, 24-28 • April 2-3, 10-11, 17-18
- May 1-2, 8, 20-21, 26-31

Renaissance Montgomery – \$109

- March 13, 17, 24-28, 30-31 • April 2, 6, 28-30
- May 11, 17, 27-28

RSA Spa Package – \$189 – Promotional code–R2A

- March 17, 24-26, 30-31 • April 2, 6, 28-30
- May 11, 17, 27-28

Specific room requests may require additional charge.
Rates available the 1st of the month and
are not applicable to groups.

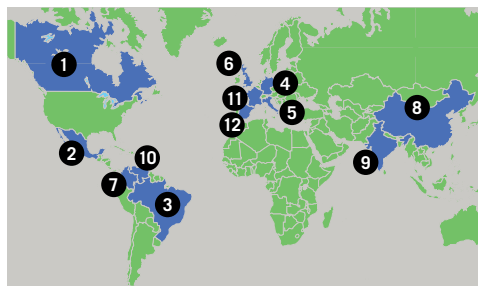
800-228-9290 Ask for RSA rate. **Promotional
Code: R2A** on www.rsa-al.gov
Book Online and Save RSA \$4.

TRS Board Runoff Election Results

Congratulations to Dr. Cathy McNeal and Ms. Peggy Mobley, who have been elected to Teacher Position, No. 1, and Retired Position, No. 1, respectively. Each member will begin a three-year term on July 1, 2016.

WHERE DO MOST VISA OVERSTAYS COME FROM?

The Department of Homeland Security released its first-ever report on foreigners who legally enter the country but stay after their visas expire, known as “visa over-stays.” Here’s where most of them came from in 2015.



1. Canada	93,035	7. Colombia	16,434
2. Mexico	42,114	8. China	15,692
3. Brazil	35,707	9. India	12,885
4. Germany	21,394	10. Venezuela	12,242
5. Italy	17,661	11. France	11,973
6. United Kingdom	16,446	12. Spain	10,891

Source: Department of Homeland Security

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