



The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



Vol. XLI—No. 11

SERVING OVER 345,000 MEMBERS

May 2016



55 WATER STREET

nyrej

THE LARGEST COMMERCIAL/INVESTMENT NEWSPAPER COVERING THE STATE

BY KRISTINE WOLF

New York, NY – New Water Street Corp. has reached an agreement with McGraw Hill Financial in a 900,027 s/f renewal of its lease at 55 Water St.

McGraw Hill Financial inked a multi-year renewal for the entire 34th through 46th floors—along with a portion of the concourse and 52nd floor. The company is the largest tenant in the building....

The 687-ft. tall skyscraper is the largest office building in Manhattan with nearly 4 million rentable s/f and has two public parks/plazas, a 600-car indoor parking garage, as well as an on-site tenant-only cafeteria. 55 Water St. contains advanced infrastructure including emergency power, extended HVAC hours and above-standard power. The building is undergoing a lobby renovation that will enhance both the aesthetics and flow within the lobby to improve the overall experience for tenants and visitors.

Other tenants at 55 Water St. include Hugo Boss, Emblem Health and Liberty Mutual. The building is owned by New Water Street Corp., which is a wholly-owned entity of the Retirement Systems of Alabama, one of the larger public pension funds in the United States.

Editor's Note: The 13-year lease starts at \$52/square foot and goes to \$62/square foot. The total net rent for this lease is approximately \$600 million for 25% of the building.

The Myth About the Pension Crisis in Alabama

BY DAVID G. BRONNER

Much ado has been made recently about a public pension crisis in Alabama and the need for reform. The groups and legislators who are clamoring for reform always neglect to mention two critically important facts: the Legislature has already reformed Alabama's public pensions and there is no pension crisis in Alabama.

First, major pension reforms have already been enacted. In 2011 and 2012, the Alabama Legislature passed pension reform legislation designed to address the very issues that are now being touted as causing a crisis. These reforms were comprehensive and impacted current members (repeal of DROP and increasing employee contributions) and new members (increasing the retirement age and decreasing the benefits). These pension reforms tied with Pennsylvania's as the most extensive in the nation and significantly reduced the state's cost of benefits for Alabama's education and public employees. The RSA is not protecting the status quo by objecting to another major overhaul of the system, but is instead trying to allow the reforms that were so recently enacted to continue to work.

Second, manufacturers of the pension crisis emphasize a large unfunded liability (\$15 billion) and increasing employer contributions as evidence of the crisis. Yes, \$15 billion is a large number, but it represents pension benefit obligations to be paid in the future over a long period of time, much like a mortgage. The money received from the state and RSA's investment income

CONTINUED ON PAGE 2

RSA Members Need to Wake Up Your Legislators Alabama Firefighters Take Stand Against Pension Reform

BY GEOFF STRATUM AND DAVID HARER

Alabama state employees could face approximately 35% to 55% reduction in pension benefits if the bill introduced by State Rep. Lynn Greer and approved by the Alabama Joint Legislative Pension Reform Committee, becomes law, according to a new study conducted by

The International Association of Firefighters in Washington, D.C.

The study compared the current benefits of members of the Retirement Systems of Alabama's Defined Benefit Program and those under the Cash Balance system proposed by Rep. Greer and approved

by the Joint Pension Reform Legislative Committee.

Members of state firefighter associations have spoken out against the proposed change in part because the

CONTINUED ON PAGE 2

is used to make the “mortgage payment” on this obligation and the unfunded liability is being systematically paid off.

The RSA has some other big numbers that can put the unfunded liability into context: \$15 billion is the amount of only **five years of benefit payments** made to RSA members; the RSA paid out roughly \$3.1 billion in benefits in fiscal year 2015. The RSA has generated \$15.3 billion in investment returns since 2010 and as of September 30, 2015, had approximately \$32 billion in assets, an increase of 28% since 2010. What other state entity generates that much income? Or holds that much in assets? Or pays as much into the Alabama economy?

At a time when prisons and Medicaid

need hundreds of millions more each year, the state’s contribution to the RSA has remained stable or declined. In fact, the total amount the RSA receives from the General Fund (an estimated \$64 million) is less than the **shortfall** faced by Medicaid under the current General Fund budget (\$85 million). In addition, RSA’s total employer contribution request for fiscal year 2017 is still below the 2009 employer contribution amount. This is not a system in crisis.

Why are the groups who want more pension reform ignoring the extensive reforms that have already occurred and RSA’s good financial health? The reason is that the prior reforms do not align with those being pushed by outside special

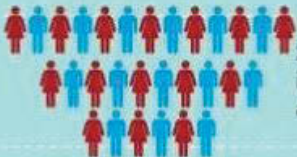
interests who have an agenda other than doing what is best for the state of Alabama, its taxpayers, education and public employees. These groups, funded by Wall Street billionaires who may stand to profit from changes, have been using the same tactics in other states to undermine public pensions in hopes of enacting reforms that will eventually shift public employees to 401k style retirement plans. This shift will not save money or decrease the unfunded liability and could in fact increase costs to the state and taxpayer and undermine the financial stability of the entire pension system.

Make no mistake, those yelling “crisis and reform” are after the money! ●

Top 6 Facts About Medicaid in Alabama

WHAT IS MEDICAID? Medicaid is a state and federal program that provides health insurance for low income children, pregnant women, the elderly, and the disabled.

1. **55%** of hospitals have been forced to cut staff and **19%** have cut services provided. **45%** of hospitals have cut employee benefits due to financial challenges.



2. Medicaid is a **\$6 billion** investment into the health care industry. Hospitals alone **employ over 84,000 people** and have an annual economic impact of \$19.2 billion.



3. In 1980, there were **58 counties** that offered obstetrical services. Today, there are about **half** as many (29 counties).



4. Medicaid is a vital piece of the state’s health care delivery system. Without it, hospitals, pharmacies and nursing homes would close and physicians would be forced to leave the state.

5. **8 hospitals** have closed since 2011, resulting in job losses and reduced access to care. When a hospital closes, it impacts every Alabamian.



6. Can Alabama afford to cut Medicaid? **There is nothing left to cut.** Alabama Medicaid only covers the required basic services and for every dollar cut, the state **loses nearly 3 dollars in total funding.**

HOW CAN YOU HELP?

Tell our state leaders that you support fully funding Medicaid. Find your legislator and their contact information here: <http://capwiz.com/state-al/home/> or tweet using #ALpolitics or #SaveAlabamaHospitals.

RSA MEMBERS NEED TO WAKE UP LEGISLATORS

(CONTINUED FROM PAGE ONE)

reduction of Tier 2 from Tier 1 benefits will force employees to stay on the job for many more years. For example, many firefighters across the state can’t afford to retire upon reaching 25 years service from a Tier 1 benefit. Under the Tier 2 plan, a firefighter would have to work 36.5 years to reach the same benefit as a Tier 1 firefighter.

The cash balance plan drastically reduces again to levels that will not let us sustain retirement until reaching the age of social security and Medicare. Under this plan there will be firefighters riding on fire trucks until they are 65 or 70 years old. This scenario is not good for anyone.

“The same situation will happen in other high stress and physically demanding jobs such as police officers and utility workers,” said Geoff Stratum, a Huntsville firefighter and member of the RSA. Stratum and David Harer, also a Huntsville firefighter, started the Save Our RSA Retirement Facebook page about a year ago. It now has close to 2,000 followers.

Much of the criticism over the proposed Cash Balance program has been leveled at Rep. Greer. “Rep. Greer has stated repeatedly that the pension reform committee he co-chairs would take no action that would hurt current RSA members or retirees,” Tatum said. “He has already broken this

Zika Is Coming

BY PETER J. HOTEZ, THE NEW YORK TIMES

If I were a pregnant woman living on the Gulf Coast or in Florida, in an impoverished neighborhood in a city like Houston, New Orleans, Miami, Biloxi, Miss., or Mobile, Ala., I would be nervous right now. If mosquitoes carrying the Zika virus reach the United States later this spring or summer, these are the major urban areas where the sickness will spread. If we don't intervene now, we could begin seeing newborns with microcephaly and stunted brain development on the obstetrics wards in one or more of these places.

There are many theories for Zika's rapid rise, but the most plausible is that

the virus mutated from an African to a pandemic strain a decade or more ago and then spread east across the Pacific from Micronesia and French Polynesia, until it struck Brazil. There, it infected more than a million people over the last one to two years. Today, the extremely poor cities of Brazil's northeastern states make up the epicenter of the epidemic.

There are three reasons that Zika has slammed this particular part of Brazil: the presence of the main mosquito species that carries the virus and transmits it to humans, *Aedes aegypti*; overcrowding; and extreme poverty.

In crowded places, mosquitoes have lots of access to lots of people. Poor people often live in proximity to garbage, including old tires, plastic containers and drainage ditches filled with stagnant water, where this species of mosquito lives and breeds. And they often have homes with torn screens on their windows. The combination creates ideal conditions for the Zika virus to spread. . . .

Peter J. Hotez, a pediatrician and microbiologist at Texas Children's Hospital, is dean of the National School of Tropical Medicine at Baylor College of Medicine. ●

JSU Graduate and Former Professor Publishes Milestone Book on the Robert Trent Jones Golf Trail

SOURCE: JACKSONVILLE STATE UNIVERSITY

The *Robert Trent Jones Golf Trail: Its History and Economic Impact* by JSU graduate and former professor, Dr. Mark Fagan, features a Foreword by Dr. David G. Bronner, CEO of The Retirement Systems of Alabama (RSA), and commemorates the Silver Anniversary of RSA's Development of the RTJ Golf Trail. Fagan earned his B.A. degree in Psychology with a minor in Economics at JSU in 1974. He received his doctorate in Social Policy, Planning, and Administration with a minor in Human Resources Management from The University of Alabama in 1981 and then joined JSU's Department of Sociology and Social Work. He retired in 2012 after 31 years of service in various capacities as professor, BSW Program Director, and Department Head. He also worked with JSU's Center for Economic Development (CED) for 30 years. . . .

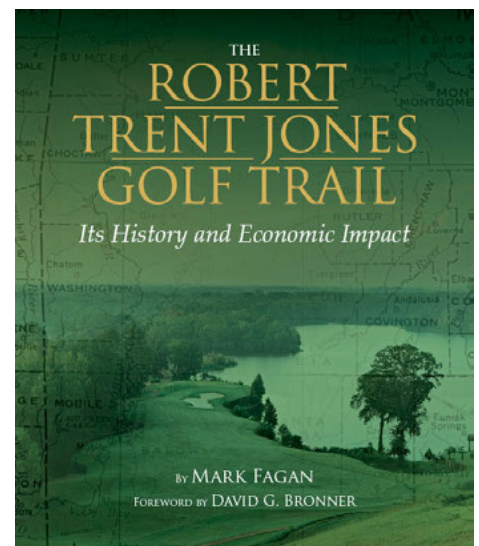
The Trail has been the subject of news reports and feature stories in the U.S. media and internationally since the very inception of the project. Now, for the first time ever, there is a comprehensive volume describing the history and economic impact of this one-of-a-kind investment by RSA to create jobs, increase tax revenue, and enhance the image of Alabama. According to Bronner, "This book is worthy of the dramatic history it recounts and is a testament to all the people who worked so hard to create the Trail."

The Trail investment was launched in late 1990 and became the world's largest

collection of golf courses built as part of one project. Its construction has been compared in complexity to the erection of the Golden Gate Bridge. More dirt was moved in the Trail's development than in the digging of the Panama Canal. The initial investment by RSA in 1990 has resulted in construction spending of \$4 billion on 26 golf courses at 11 sites (5,700 acres and 540,000 square feet of building space), eight resort hotels (2,065 rooms, 20 restaurants, and 326,000 sf of space), five spas, 8,000 adjacent houses, and ancillary commercial development (private hotels, restaurants, gas stations, grocery stores, and retail outlets) worth hundreds of millions of dollars. This construction spending created more tax revenue than the initial investment.

The Trail has evolved into an international tourist attraction and had its 10 millionth round of golf played on October 23, 2013. The Trail has averaged over 500,000 rounds of golf per year since 1993 with half of these rounds played by out-of-state golfers from every state and many foreign countries to play the Trail. Tourism spending in Alabama has increased by over \$10 billion per year since 1990. The continued increased tourism spending provides a perpetual source for economic activity and tax revenue for the state and local areas.

No other development activity in Alabama during modern Alabama's economic history has contributed more to the



history, economy, image, and culture of the entire state. Automobile manufacturing plants, the U.S. Defense Department and NASA, and the cultivation of tourism on Alabama beaches have been important developments, but their impact has been concentrated more in the areas where the activities were based. No other single component has changed the physical landscape of Alabama more than the building of the Trail golf complexes, RSA hotels/spas/conference centers, and the resulting housing and commercial development.

It is available in hardback (384 pages) and Ebook format (ISBN: 978-1-58838-318-1) by NewSouth Books (newsouth-books.com). . . . ●

Come see the LPGA May 5-8, RTJ – Prattville

For More Information Visit yokohamatirelpgaclassic.com

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

PRSR STD
U.S. POSTAGE
PAID
MONTGOMERY, AL
PERMIT NO. 402



Member Hotel
Discounts Webpage

ENJOY YOUR SPRING/SUMMER
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel—Mobile—\$109**
• May 2-5, 8-12, 15-19, 22-26, 29-31
• June 2, 12, 16, 26-29 • July 16-23

The Renaissance Riverview Plaza—Mobile—\$99
• May 8-14, 24-26, 29-31 • June 1, 4, 10, 14, 18, 24-27
• July 16-19, 24-26

Marriott Grand—\$109 plus a 15% resort fee
• May 1-2, 7-8, 11, 15-18, 22-26, 30-31
• June 1, 15, 22, 26-27 • July 5-7, 13-14, 17

**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
• May 1-2, 7-8, 11, 15-18, 22-26, 30-31
• June 1, 15, 22, 26-27 • July 5-7, 13-14, 17

**Marriott Shoals—Florence—\$99;
Breakfast Package \$124**
• May 1, 8, 15-16, 19, 22-23, 30
• June 12, 19-20, 26, 30 • July 5-8, 10, 14, 24-25, 31

Renaissance Ross Bridge—Hoover—\$109
• May 1-5, 8-12, 15, 18-19, 22-26, 30-31
• June 1-2, 5-7, 9, 12-13, 19-23, 26-30
• July 4-7, 10-11, 19-21, 26-28

Opelika Marriott—\$99
• May 1, 8-10, 15-19, 22-27, 30-31
• June 5-9, 12, 19, 26-30 • July 3-6, 18-24, 28-31

Prattville Marriott—\$89
• May 1-2, 7-9, 15-16, 22-30 • June 12-14, 19-30
• July 1-11, 15-18, 24-28

Renaissance Montgomery—\$109
• May 11, 16-17, 27-30
• June 2, 10, 15, 18, 23-25, 28-30
• July 1-7, 14, 23, 29-31
RSA Spa Package—**\$189—Promotional code—R2A**
• May 11, 17, 27-28
• June 2, 10, 15, 18, 23-25, 28-30
• July 1-2, 5-7, 14, 23, 29-30

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.

RSA MEMBERS NEED TO WAKE UP LEGISLATORS

(CONTINUED FROM PAGE TWO)

promise seven times with more legislation coming before the end of the session.

“According to ALISON (Alabama Legislative Information System Online), Rep. Greer has introduced nine bills this legislative session. Seven of the nine affect RSA members or retirees. None of the seven bills that Rep. Greer introduced have reduced the unfunded liability or cost to the state,” said Harer. “Greer is using his position as an elected official to attack public sector employees and cut their retirement. These employees are working as firefighters, police, teachers, utility workers, local city and county employees of all types are being affected.”

Initial projections make the benefit of Greer’s Cash Balance plan to be around 35% less than current RSA Tier 2 benefits. It would be approximately 55% less than Tier 1, according to the study conducted by the International Association of Firefighters.

For updated information visit “Save Our RSA Retirement” on Facebook. ●

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



CEO

David G. Bronner

Deputy Director
Donald L. Yancey

Executives

Communications
Michael E. Pegues

Chief Accountant & Financial Officer
Diane E. Scott

Employees’ and Judicial Retirement
William F. Kelley, Jr.

Field Services
Christopher C. Gallup

Information Technology Services
Michael T. Baker

Investments
R. Marc Green

General Counsel
Leura G. Canary

Legislative Counsel
Neah L. Mitchell

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