



The ADVISOR

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SERVING OVER 335,000 MEMBERS

November 2014

Return to Work

BY CHRIS TOWNES, TRS, AND WILLIAM KELLEY, ERS

Alabama law requires the suspension of retirement benefits for retirees who return to work for an employer who participates in either the Employees' Retirement System (ERS) or Teachers' Retirement System (TRS), unless the retiree's employment is temporary or part-time **and** the annual compensation earned does not exceed a certain amount during the calendar year. The amount for 2014 is \$23,000. No limitation exists if the retiree is employed by an employer who is not covered by either the ERS or TRS.

Recent changes to the return-to-work laws now apply the same conditions to independent contractors performing services for participating ERS or TRS covered employers. This change became effective on October 7, 2014. In order to comply with these changes in the law, both the ERS and TRS Boards adopted policies that established guidelines for the enforcement of the new law. The return-to-work laws require notification to the ERS or TRS by both the employing agency and the retiree, including those who work as independent contractors. Retirees are required to give written notice to the ERS or TRS of postretirement employment subject to these limitations.

It is in the best interests of the RSA, the retiree, and the employer if the RSA receives all available documentation to determine the retiree's eligibility to receive benefits while working for an ERS or TRS agency. If the facts relating to the employee/employer relationship are unclear, the retiree and the agency will receive correspondence from the RSA seeking additional information.

If the conditions of employment do not meet the exemption provided in the law, the retiree's benefit will be subject to suspension. The retiree will receive written notification of the suspension of benefits. The retiree may seek an administrative review, within 15 days of receipt of the suspension letter, by providing additional documentation to the RSA. If the retiree fails to file additional documentation or if the ERS or TRS determines after review of the documentation that the retiree's benefits are due to be suspended, the retiree's pension shall be suspended. A retiree may appeal the suspension to the ERS or TRS Board within 15 days. Retirees who are employed part-time and do not exceed the earnings limit (\$23,000 for calendar year 2014) will not have their benefit suspended.

All retirees employed directly with an ERS or TRS participating agency or performing services for an agency through a contract between the retiree and the agency are subject to a suspension of benefits. Establishing a separation between the retiree and the employing agency through a contractor or third-party vendor will not necessarily exempt the retiree from the requirements of the law. Retirees performing services for an ERS or TRS participating agency through a contractor or third-party vendor may be subject to suspension of benefits if the relationship between the employing agency and the retiree fails to meet the ERS and TRS definition of an independent contractor. ●

A Big Win for Alabama, Shoals, and RSA

BY DAVID G. BRONNER

In the "World of Wall Street," an investment professional is judged by the number of winners over the number of losers. The RSA investing in Alabama has always been a controversial topic for a very simple reason. When someone does something in Alabama, someone or some organization might not have things the way they were in the "good old days." For example, constructing an office building resulted in private landlords losing public and private tenants to modern buildings. Likewise, people who own hotels or run-down golf courses did not like 21st century competition.

In November of 2006, some critics were horrified when the RSA entered into an agreement that lent the troubled Wise Metal Group – located in the Shoals – up to \$30 million at a 10.7% interest rate. The RSA further invested another \$75 million in 2008 at a 10% interest rate, along with receiving 4% of the common equity at no cost.

In 2010, a Wall Street vulture fund targeted the company for extinction. Again, the RSA stepped in to save the nearly 1,000 jobs, refinancing the company's entire debt and increasing RSA equity interest to 15%, again at no cost. The RSA was repaid its full debt and interest of \$593 million in December 2013, while retaining its 15% equity interest.

This past month, Wise – the largest employer in the Shoals now with about 1,500 employees – sold out to Amsterdam-based Constellium Aluminum for \$1.4 billion; \$455 million in cash and \$945 million in assumption of debt. Constellium has strong financial resources and 8,219 employees. The company has said it plans a \$750 million expansion for the auto industry over the next few years, which is a huge win for Alabama and the Shoals.

In the past, some critics of Alabama investments have said, in essence, the RSA should not care about Alabama's economic future. In return, I have asked, "Why should anyone care about us if we don't care about ourselves? Our economic interests are one in the same." I admit – I have a smile on my face for the people of Alabama. ●

Economic Impact of The Grand Hotel, Lakewood Golf Club, and The Colony in Point Clear

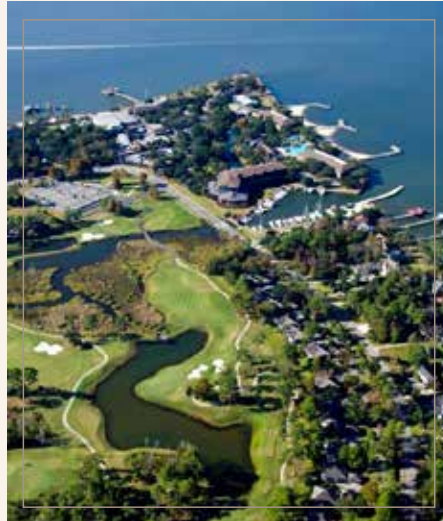
BY DR. MARK FAGAN, DEPARTMENT HEAD EMERITUS, JACKSONVILLE STATE UNIVERSITY

The Grand Hotel Marriott Resort, Golf Club & Spa is located just south of Fairhope in Point Clear on the eastern shore of Mobile Bay. This 734-acre resort/community includes three components; The Grand Hotel and Spa, Lakewood Golf Club, and The Colony at The Grand. The hotel has 405 guest rooms, a conference center, and a spa. Lakewood Golf Club is a semi-private club with two 18-hole golf courses, two restaurants/bars, and an aquatics, tennis, and fitness complex. Registrants at the Grand Hotel can play golf on the two courses. The Colony at The Grand is a residential community with 86 single-family housing lots (10 houses as of August 2014), and a condo tower with 56 units.

A modest hotel has been on the current property since 1820. The hotel has had many owners and has been destroyed several times by fire and storms. The property has evolved to its present status after many renovations and additions. The RSA invested \$30 million to buy The Grand Hotel in 1999 and then spent \$60 million to renovate the property, including the two golf courses. This renovation included a new four-story Spa Building with a 20,000-square-foot European Spa and 126 rooms; an outdoor bar and grill overlooking Mobile Bay; a new beach on the bay; a new luxurious pool area with Tom Sawyer-type tree house, children's pool, waterfalls, separate adult pool, sunset deck, two hot tubs; an indoor pool; a fitness center; new meeting rooms; and new parking spaces.

In 2005, Hurricane Katrina's storm surge caused extensive damage to the parts of The Grand Hotel that did not have raised foundations (parking). The RSA then spent the \$50 million in insurance money to restore the hotel to its complete grandeur. The ballroom meeting areas were completely redone with all new fixtures and equipment. The dining area and kitchen was totally renovated and new carpet added to the hotel. All

guest and all meeting rooms were refurbished. Previously rotten subfloors were replaced and the structures were actually better than before the hurricane damage.



LAKWOOD GOLF CLUB AND GRAND HOTEL MARRIOTT RESORT & SPA



COLONY AT THE GRAND

Communications equipment and wiring with a more modern fiber-optic system was installed.

The RSA invested \$70 million for the construction of the Bayview II condo

building at The Colony at The Grand in 2006. The RSA spent \$20 million to refurbish the golf clubhouse and construct the restaurant and aquatics/tennis complex at Lakewood Golf Club in 2008. The total investment in this entire property is approximately \$240 million. Applying the RIMS II Final Demand Multipliers to this investment spending produced the following impacts: total output was \$566 million; total earnings were \$174 million; jobs were 4,680; and value added was \$279 million.

The second part of the direct economic impact of this investment on the area includes the spending by the visitors to the hotel, members of Lakewood Golf Club, and residents near the property. The Grand Hotel/Lakewood produces approximately \$50 million per year in revenue from visitor spending and membership fees. Applying the RIMS II Final Demand Multipliers to this annual spending produces the following impacts: total output of \$107 million; total earnings of \$36.2 million; 975 jobs; and \$58.2 million in value added.

Annual spending by Grand Hotel visitors, Lakewood members, and nearby residents produces tax revenue and enhances the quality of life in Point Clear, Fairhope, Daphne, and Spanish Fort. The Eastern Shore's attractive commercial, recreational, social, and health care resources supported by spending in the area sustain the attractiveness for current and future residents.

If the RSA had not purchased the hotel in 1999, invested \$50 million to expand and upgrade the property, and obtain adequate insurance, there might not have been enough insurance money to restore the property with quality following the damage from Hurricane Katrina. Without the Grand Hotel and Lakewood Golf Club, property values in the eastern part of Baldwin County would go down and a substantial economic resource for the county and state would be lost. ●

Update on State Law Enforcement Retirement

BY WILLIAM F. KELLEY JR., DIRECTOR ERS AND JRF

Currently, certain law enforcement officers of the state of Alabama defined as “State Police” do not participate in Social Security but do participate in the State Police Plan. By law, State Troopers, ABC Agents, and investigators with the Attorney General and the Ethics Commission are the only officers who participate in the State Police Plan. The State Police Plan requires 10% employee contributions and affords retirees with a higher benefit than a regular state employee would receive with the same amount of service.

Other state law enforcement officers, however, are not “State Police”, but are instead classified as “Law Enforcement

Officers.” They participate in Social Security and the Employees’ Retirement System, contributing an additional 1% of compensation into retirement to receive an enhanced retirement benefit or the ability to retire earlier. Tier 1 members contribute 8.5% and receive a bonus year for every five years of service, and Tier 2 members contribute 7% and can retire at age 56 with 10 or more years of service.

In 2013, the Legislature passed a bill to combine and centralize all law enforcement operations of the state under the newly created Alabama State Law Enforcement Agency (“ALEA”). In doing so, the Legislature provided that current

law enforcement officers would retain their current benefits and would remain in their current retirement plan.

A recent Attorney General Opinion confirms that the law enforcement officers currently classified as “State Police” who remain employed with ALEA will retain their benefits under the State Police Plan, regardless of any future changes in classification. However, no law enforcement officer hired after January 1, 2015, will participate in the State Police Plan. All new officers will participate in Social Security and will be covered by the Employees’ Retirement System as Law Enforcement Officers. ●

Where Workers Still Get a Pension

SOURCE: BLOOMBERG

Traditional pensions are an endangered species. They’re not extinct. For decades now, companies have been killing off their defined-benefits pensions. Instead of the promise of a monthly check from an employer in their old age – however long that lasts – workers get access to a voluntary 401(k) contribution plan. Those plans sometimes come with matching contributions from employers, but all the risks of saving enough for a long retirement fall entirely on workers.

As recently as 1998, 60 percent of Fortune 500 companies offered defined-benefits pensions [*Editor’s Note*: like RSA] to new hires, according to consulting firm Towers Watson. How many do now, would you say – 3 percent? Eight percent? Try 22 percent.

Most of these companies fall into one of two camps, with plenty of overlap. Certain companies and industries still want to give experienced, skilled workers an incentive to stick around. Almost three-fifths of utilities, for example, offer some form of defined-benefit pension to new employees. Utilities are also likelier than companies in other sectors to have unions pushing for strong pensions.

Then there are companies that can afford to take a longer view of their own finances. Pensions are riskier on a year-to-year basis for employers than 401(k)s. Falling markets can result in pension

shortfalls that look bad on accounting statements. If the shortfalls are big enough, they may require companies to add funds to the plan.

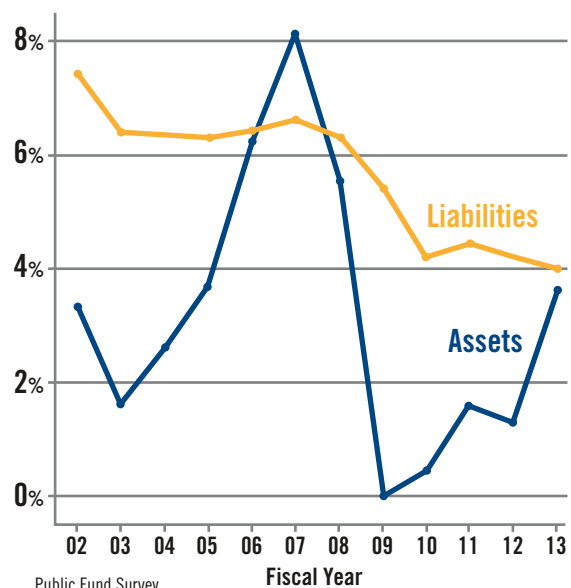
But over the long term, pension plans are a cheaper way to provide retirement benefits than an equally generous 401(k) plan, says Towers Watson consultant Alan Glickstein. A pooled pension fund is more efficient and can safely take more investment risk than individual savers can. That may be one reason two-thirds of big insurance companies still offer new employees pensions, he says. Many are mutual insurance companies that don’t need to answer to shareholders every quarter.

It’s always been hard to get a pension at a retailer, a tech company or in other industries where employee turnover is high. And, despite holdouts such as utilities, other employers have adopted their short-term attitude toward workers. The number of Fortune 500 pension plans open to new employees dropped by half since 1998, closing

at a rate of 12 a year.

Older employees and retirees generally got to keep their benefits. Most younger workers, however, have no retirement safety net beyond Social Security and a 401(k) plan they must fund themselves. Or they may not even have a 401(k). For half of private-sectors workers, the problem isn’t an inadequate retirement plan. It’s no retirement plan at work at all. ●

Median Change in Actuarial Value of Assets and Liabilities, FY 02 to FY 13



Public Fund Survey
July 2014

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

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Member Hotel
Discounts Webpage

ENJOY YOUR FALL/WINTER
A Special Deal
FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel—Mobile—\$109

- November 2-4, 9-30 • December 1-26
- January 4-8, 12-13, 17, 25-29

The Renaissance Riverview Plaza—Mobile—\$99

- November 2-4, 9-30 • December 1-26
- January 4-8, 12-17, 25-26

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

- November 1-3, 9, 14-20, 23-25, 29-30
- December 1-3, 7, 14-18, 21-22, 28-30
- January 1-11, 16-19, 24-25, 29-31

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

- November 1-3, 9, 14-20, 23-25, 29-30
- December 1-3, 7, 14-18, 21-22, 28-30
- January 1-11, 16-19, 24-25, 29-31

**Marriott Shoals—Florence—\$99;
Breakfast Package \$124**

- November 1-3, 9-10, 16, 25-30
- December 1, 4, 7-8, 11, 14-15, 21-30
- January 1-5, 9-12, 16-18, 22-23, 30-31

Renaissance Ross Bridge—Hoover—\$109

- November 1-3, 7-13, 16-30 • December 1-31
- January 1-10, 14-31

Opelika Marriott—\$99

- November 2-4, 6, 9-13, 16-20, 23-30
- December 1, 3, 5-11, 14-31 • January 1-19, 23-29

Prattville Marriott—\$89

- November 2, 8-13, 15-16, 18-20, 22-30
- December 1, 3, 5, 7, 10-31
- January 1-12, 15-19, 23-26, 30-31

Renaissance Montgomery—\$109

- November 3, 5-6, 9-10, 13, 16-19, 23-29
- December 6, 12-14, 21-30
- January 1-7, 9-14, 24-25, 31

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

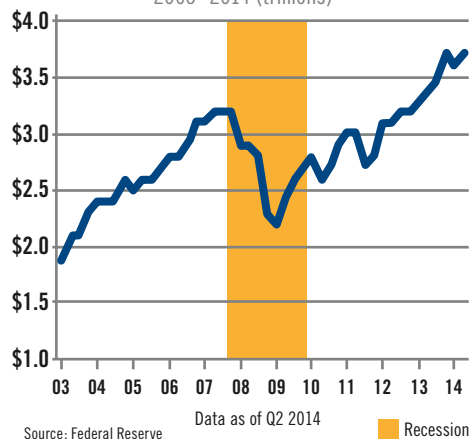
- November 5-6, 13, 18-19, 25, 28-29
- December 6, 12-13, 23, 26-27, 30
- January 2-3, 6-7, 9-10, 13-14, 24, 31

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

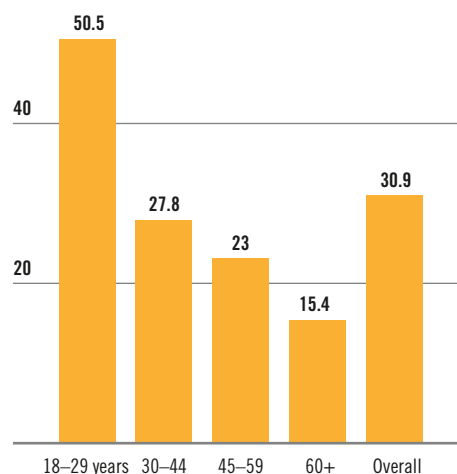
800-228-9290 Ask for RSA rate. **Promotional
Code: R2A** on www.rsa-al.gov
Book Online and Save RSA \$4.

Quarterly Changes in State & Local Defined Benefit Assets

2003–2014 (trillions)



Percentage of People with No Retirement Savings



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