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The 300 Largest Retirement Funds in the World



SOURCE: PENSIONS & INVESTMENTS

RANK	COUNTRY	ASSETS	
1.	Government Pension Investment	Japan	\$1.2T
2.	Government Pension Funds	Norway	\$858B
6.	California Public Employees	U.S.	\$273B
14.	New York City	U.S.	\$132B
26.	Alecta	Sweden	\$93B
75.	Colorado	U.S.	\$45B
115.	Alabama	U.S.	\$32B
194.	Wal-Mart	U.S.	\$20B
224.	Daimler	Germany	\$17B
254.	Deere	U.S.	\$15B
275.	Teachers' Pension	South Korea	\$14B
300.	NPF Gazfond	Russia	\$12B

Going Cheap Can Be Expensive

BY DAVID G. BRONNER

As previously stated in the July *Advisor* article “Follow the Money,” an article is published every two or three months about how bad defined benefit public pension plans—like RSA—are compared to defined contribution programs—like a 401(k).

These one-sided stories conclude that money will run out, investments should be “risk-free” at 1%-3% (meaning absolute failure), and the unfunded liabilities are greater than the assets. Most of the studies being shown across America are funded by billionaires such as the Arnold Foundation (get this, a former “Enron” Energy trader) and the Koch Brothers (ultra, right-wing businessmen). The studies from the Pew Foundation, George Mason University and Troy University—surprise, surprise—get some of their funding from those very same people.

Now, the same professors at Troy University’s Manuel H. Johnson Center contend that Alabama could save millions of education dollars by contracting its transportation, maintenance, and food services with private companies. That’s great; pick on the lowest paid personnel in education, knowing that it was tried in the 1990s in Birmingham and Tuscaloosa and failed. The lightning rod of criticism that has followed resulted in the Vice Chancellor of Troy University saying, in essence, that the professors do not speak for the university.

Privatization in select areas can clearly work in organizations and government. But, I remember when a political pal of a former governor came to the RSA on how to make parking decks cheaper for RSA office buildings so he could collect a fee. Of course, their suggestion could always be made cheaper by proposing a grass field over the more expensive gravel.

Not having enough prison guards, state troopers, or adequate mental health facilities is cheaper, but our lives depend on a sufficient level of professional staff that makes us better than a banana republic. Maybe, sometime in our lifetime, Alabamians will convince our elected leaders that receiving \$3.28 from the federal government for every \$1 it pays in federal taxes or receiving 37.02 percent of Alabama’s revenue from the Feds is one great deal. But at the same time for us to be paying among the lowest taxes in America does not provide a bright future for our children. ●

A Major Alabama Problem

BY ERIN EDGEMON | AL.COM



With the closure of three state psychiatric hospitals, county jails in Alabama have become a revolving door for the mentally ill and disabled. And, in many cases, sheriffs find themselves required to hold severely mentally ill and disabled men and women that county jails aren’t equipped to care for.

Butler County Sheriff Kenny Harden raised the issue at the annual convention of the Alabama Sheriffs’ Association, asking Gov. Robert Bentley about mentally disturbed people who end up in the criminal justice system. Harden said he has an inmate who has been in his jail for four years awaiting trial on a murder charge. Jails are not equipped to deal with the mentally ill, Harden said.

For nearly three years, attorneys have searched for a halfway house or other facility to take a mentally disabled 29-year-old sexual offender from Butler County. “There is no indication that this young man is violent,” Butler County District Attorney Charlotte Tesmer said, “but he has impulse control problems, apparently.” She said the man, whose name she wouldn’t release, has the mental capability of a pre-adolescent. He doesn’t have any family members to take him in. Bentley agreed. “Mental health is a real issue. That’s one of the issues we need to look at,” he said.

Montgomery County Sheriff D.T. Marshall went so far as to say the state has “shirked its responsibility.” He said the state is

Economic Impact of Silver Lakes Near Anniston and Gadsden

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

Silver Lakes opened in 1993 as the seventh site on The RTJ Golf Trail. It is located one mile west of U.S. Highway 431 in Calhoun County and a few miles from Etowah County. It is 22 miles north of I-20 at Oxford/Anniston, 18 miles south of I-59 at Gadsden, and 12 miles west of Jacksonville State University. It has 36 golf holes and a housing development adjacent to the golf complex. There is no lodging within 10 miles of the golf complex.

At the end of 2013, there were 55 houses built adjacent to the golf complex on property owned by Don Gibbs who donated the property for this site on The Trail. These houses included large estate homes and smaller garden homes. The total capital outlay for construction of the golf complex (including repairs from tornado damage in 2011), housing, and roads at Silver Lakes was estimated at \$47 million. Applying the RIMS II Final Demand Multipliers to these construction costs produced the following impacts: total output was \$101 million; total earnings were \$34 million; jobs were 916; and value added was \$55 million.

Fort McClellan, in Calhoun County, closed in 1999 and caused a major reduction in tourism spending in Calhoun County which skewed the tourism spending data for annual comparisons. Therefore, tourism spending data for

Calhoun County was not used in analyzing the economic impact of Silver Lakes. Many of those from out-of-state that play at Silver Lakes and stay nearby tend to stay in Etowah County where there are the closest motels to the golf complex.

Tourism spending in Etowah County

Local sales taxes from tourism spending for Etowah County for 1995 were \$2.8 million and for 2013 were \$6.1 million, an increase of \$3.3 million. Local lodging taxes for 1996 were \$467,075 and for 2013 were \$1.1 million, an increase of \$606,638. At the end of

2013, the total increased local sales taxes and local lodging taxes over the 1995/1996 level were \$43.2 million. This does not include the \$1.50 fee per room night that was activated in 2005. Also, Silver Lakes was closed during most of 2011 due to tornado damage and upon reopening, play had to be re-established to earlier levels.

Silver Lakes has been the number one tourism attraction for out-of-state visitors in Etowah and Calhoun County since it opened. Other than the Talladega Superspeedway (2 weeks a year), it is also the number one tourist attraction for all

other counties in Northeast Alabama.

Silver Lakes is a very scenic site with photos featured in national and international promotional efforts through SunBelt Golf and RSA. It has provided a world-class recreational amenity that serves employees from such industries as the Honda Manufacturing Plant in nearby Lincoln. Silver Lakes has given communities that once competed against each other for economic development projects a facility to foster cooperation for greater regional economic development. ●



SILVER LAKES • CALHOUN COUNTY, ALABAMA

for 1995 was \$70.7 million and for 2013 was \$123.0 million, an increase of \$52.3 million. At the end of 2013, the total increased annual tourism spending from the 1995 level was \$546.3 million. State sales taxes from tourism spending for Etowah County for 1995 were \$3 million and 2013 were \$5 million, an increase of \$2 million. State lodging taxes for 1996 were \$373,660 and for 2013 were \$613,550, an increase of \$239,890. At the end of 2013, the total increased state sales taxes and state lodging taxes over the 1995/1996 level were \$24.3 million.

The Best Golf Courses Near You

SOURCE: GOLF MAGAZINE

ALABAMA

1. The Shoals (Fighting Joe), Muscle Shoals
2. Kiva Dunes, Gulf Shores
3. Capitol Hill (Judge), Prattville
4. Grand National (Lake), Opelika
5. FarmLinks at Pursell Farms, Sylacauga
6. Grand National (Links), Opelika
7. Limestone Springs, Oneonta
8. Ross Bridge, Hoover
9. Cambrian Ridge (Sherling/Canyon), Greenville
10. Silver Lakes (Backbreaker/Heartbreaker), Glencoe

US Cities, States Slashing Pension Benefits While Subsidizing Professional Sports Stadiums

BY DAVID SIROTA, *INTERNATIONAL BUSINESS TIMES*

As U.S. states and cities grapple with budget and pension shortfalls, many are betting big on an unproven formula: Slash public employee pension benefits and public services while diverting the savings into lucrative subsidies for professional sports teams. Detroit made itself the most prominent example of this trend. Officials in the financially devastated city announced that current and future municipal retirees had blessed a plan that will slash their pension benefits. On the same day, the billionaire owners of the Detroit Red Wings, the Ilitch family, unveiled details of an already approved taxpayer-financed stadium for the professional hockey team. Many retirees now face a 4.5 percent cut in their previously negotiated cost-of-living adjustments, which is part of a

larger plan to cut \$7 billion of the city's debt. At the same time, the public is on the hook for \$283 million toward the new stadium after giving the Ilitches key parcels of land for \$1.

A landmark 1997 Brookings Institution study by sports economist Andrew Zimbalist concluded that "a new sports facility has an extremely small (perhaps even negative) effect on overall economic activity and employment" and that few facilities "have earned anything approaching a reasonable return on investment" for taxpayers. That finding was confirmed by University of Maryland and University of Alberta researchers, whose 2008 review of major academic research found that "sports subsidies cannot be justified on the grounds of local economic development." In addition, a

2012 Bloomberg News analysis found that taxpayers have lost \$4 billion on such subsidies since the mid-1980s.

At the same time, cuts to pension contributions are rarely described by public officials as negative for local economic growth, though economic data suggests otherwise. An analysis by the Washington, D.C.-based National Institute on Retirement Security notes that spending resulting from pension payments had "a total economic impact of more than \$941.2 billion" and "supported more than 6.1 million American jobs" in 2012....

(Editor's Note: Interesting reading from England, but keep in mind that sports centers are hundreds of millions, while pensions are multiple billions.) ●

High fees eroding many 401(k) retirement accounts

SOURCE: WASHINGTON, THE ASSOCIATED PRESS

It's the silent enemy in our retirement accounts: High fees. And now a new study finds that the typical 401(k) fees—adding up to a modest-sounding 1 percent a year—would erase \$70,000 from an average worker's account over a four-decade career compared with lower-cost options. To compensate for the higher fees, someone would have to work an extra three years before retiring.

The study comes from the Center for American Progress, a liberal think tank. Its analysis, backed by industry and government data, suggests that U.S. workers, already struggling to save enough for retirement, are being further held back by fund costs. "The corrosive effect of high fees in many of these retirement accounts forces many Americans to work years longer than necessary or than planned," the report concludes.

Most savers have only a vague idea how much they're paying in 401(k) fees or what alternatives exist, though the information is provided in often dense and complex fund statements. High fees seldom lead to high returns. And critics say they hurt ordinary investors—much more so than, say, Wall Street's high-speed trading systems, which benefit pros and have increasingly drawn the eye of regulators.

Consider what would happen to a 25-year-old worker, earning the U.S. median income of \$30,500, who puts 5 percent of his or her pay in a 401(k) account and whose employer chips in another 5 percent: If the plan charged

0.25 percent in annual fees, a widely available low-cost option, and the investment return averaged 6.8 percent a year, the account would equal \$476,745 when the worker turned 67 (the age he or she could retire with full Social Security benefits). If the plan charged the typical 1 percent, the account would reach only \$405,454—a \$71,000 shortfall. If the plan charged 1.3 percent—common for 401(k) plans at small companies—the account would reach \$380,649, a \$96,000 shortfall. The worker would have to work four more years to make up the gap. (The analysis assumes the worker's pay rises 3.6 percent a year.)

Most stock funds will match the

performance of the entire market over time, so those with the lowest management costs will generate better returns, said Russel Kinnel, director of research for Morningstar. "Fees are a crucial determinant of how well you do," Kinnel said. The difference in costs can be dramatic. Each fund discloses its "expense ratio." This is the cost of operating the fund as a percentage of its assets. It includes things like record-keeping and legal expenses. For one of its stock index funds, Vanguard lists an expense ratio of 0.05 percent. State Farm lists it at 0.76 percent for a similar fund. The ratio jumps to 1.73 percent for a Nasdaq-based investment managed by ProFunds.... ●

A Major Alabama Problem

CONTINUED FROM PAGE 1

touting all of the money it's saved by closing the psychiatric hospitals, but they have just trickled the cost down to the counties. Marshall said the jail he oversees has 49 inmates taking mental health medications. The inmates' mental health conditions vary widely, but he keeps those inmates segregated for their own safety. A doctor comes into Montgomery County Detention Facility every week or two, and a psychiatrist even less often, he said. Marshall said he has so many inmates in his jail that he couldn't speak about specific inmates.

Both Marshall and Harden said caring for mentally ill and disabled inmates creates an extra burden for corrections officers and county coffers. "It is bad that we have to be the state mental health facilities for the state of Alabama," Marshall said. ●

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- December 1, 4, 7-8, 11, 14-15, 21-30

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- December 1-31

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- November 2-6, 9-13, 16-20, 23-30
- December 1, 3, 5-11, 14-31

Prattville Marriott—\$89

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- November 1-2, 8, 10-16, 18-20, 23-30
- December 3, 5, 7, 10-31

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- October 1-2, 5-7, 12-13, 18-20, 22-23, 25, 30-31
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- November 6, 15, 18-19, 25, 28-29
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*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 of Control Election

Four positions on the TRS Board of Control are currently up for election: Teacher Position No. 3, Support Personnel Position No. 2, Principal Position, and Higher Education Position No. 2. These positions are currently held by Charlene McCoy, Russell Twilley, and Richard Brown, respectfully. The Higher Education position is a new position on the Board. Because Russell Twilley was the only candidate for the Support Personnel Position No. 2, he will start a new term beginning July 1, 2015.

Elected members to the TRS Board will be elected only by members from the same category of the retirement system. To be eligible to vote for Teacher Position No. 3, you must be an active member currently contributing to the TRS who actively instructs students in grades K-12. To be eligible to vote for the Principal Position, you must be an active member currently contributing to the TRS who holds the position of Principal. To be eligible to vote for the Higher Education Position No. 2, you must be an active member currently contributing to the TRS and work in a public four-year institution of higher education or for the Commission on Higher Education.

By submitting your vote, you are confirming that you are eligible to vote for the position based upon your classification. If your classification is incorrect, please contact the Election Coordinator at 334.517.7192 or 877.517.0020.

Members will receive ballots after October 14, 2014. To be counted, ballots must be returned to VR Election Services of Carrollton, Texas, by 4:00 p.m., November 21, 2014. Members will be able to vote by returning the ballot in a prepaid postage envelope or by voting online or by telephone. Instructions will be included with the ballot.

Read the candidates' bios on the RSA website at www.rsa-al.gov beginning October 1. If you have any questions, please contact the Election Coordinator. ●



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