



The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



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SERVING OVER 339,000 MEMBERS

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The National Council on Teacher Retirement Writes About Alabama

[...] According to press reports, Pew (Charitable Trusts) also recently appeared before the Joint Commission on Alabama Public Pensions to discuss reforms.

In that regard, it is well to note that **Pew's partner, the Arnold Foundation, has given \$78,000 to the Alabama Policy Institute** to "support educational efforts related to public employee benefits reform in Alabama." In 2015, the Institute released a report entitled "Alabama's Public Pensions: Building a Stable Financial Foundation for the Years Ahead," that refers to previous pension reforms in Alabama as a "gauze bandage applied to a gaping wound." The Alabama Policy Institute report recommends that Alabama switch from its DB model to a cash balance plan, a move that also just happens to be strongly advocated by the Arnold Foundation.

"I am confident that **Pew will be happy to have October Three** (the Arnold's favorite actuary) **help design such a plan for Alabama**, as they did in Kentucky a few years ago," said Meredith Williams, NCTR's Executive Director. "But before they do, **I hope Alabama legislators will heed the warning of some of their colleagues in Kentucky about their experience with Pew**," he cautioned.

Williams was referring to a June 19, 2013, joint letter from ten Kentucky state legislators to their colleagues in other states warning how Pew had "duped enough [Kentucky] legislators into passing a bill that will cost taxpayers millions of dollars, will not reduce our state's unfunded liabilities, and will diminish retirement security. Don't let Pew and Arnold convince you to pass this harmful reform that will have long-lasting consequences in your state," the letter stresses.

"I guess Pew would insist that October Three is a 'disinterested arbiter of truth,' but I think he might find some good folks in Kentucky who would disagree," Williams pointed out.

(Editor's note: You can view the whole article on our website at www.rsa-al.gov.) ●

The Natural Conflict

BY DAVID G. BRONNER

State pension leaders are placed in an unnatural position due to their responsibilities to members: To oppose elected state leaders in solving the issues the population deem important at that moment in time.

When we go to the polls to elect our state leaders, we expect them to solve decades-old state problems now! That is why we choose x over y when it comes to our vote. It makes no difference if the problems are in education, pensions, prisons, mental health, or crime; we want a better life for ourselves and our children.

Our top elected leader is on a tight time frame of four years to prove to us that he or she deserves a second four-year term. Legislators can be elected to their position indefinitely. Yet, voters expect our elected officials to focus on the current concerns of the state.

I arrived at the RSA shortly after a major battle over funding took place; Governor Wallace wanted to use the funds of the RSA to solve the state's prison and mental health problems. If the governor had won that war, in all likelihood, there would not be an RSA today. At other times, many cabinet and staff members of different governors have tried to run me off, while some governors, like Wallace, actually saved me from their staff. Only a very few understood the critical role the RSA plays in the vast improvement of the state in recent decades.

My duty is not to solve current social problems like elected officials, but the RSA must do everything possible, like helping to push tourism from a \$1.8 BILLION industry to a \$12 BILLION industry, for Alabama to prosper in jobs and revenue so that elected officials have some of the necessary funds to help solve Alabama's problems. My job is to make sure that public employees in their twenties have a sound pension when they retire, and to help make Alabama be as strong as it can be to meet that goal. ●

Public Pension Shocker: Shutting a Pension Plan Actually Costs Taxpayers Money

BY MICHAEL HILTZIK | LOS ANGELES TIMES

Amid the nationwide panic over the rising costs of public employee pensions, one proposed solution is nearly universal: States and municipalities should shutter their traditional defined benefit plans and place all new employees in a 401(k)-style defined contribution plan instead.

That's the idea in a proposed California ballot initiative [...] which

CONTINUED ON PAGE 2

would end defined benefit plans for new employees as of Jan. 1, 2019, was **praised by the *Wall Street Journal*** as one that would “end defined-benefit pensions and **save taxpayers billions of dollars.**”

As it turns out, the *Journal* – and the drafters of the initiative – **have the math exactly wrong.** The experience of states that did exactly that shows that **taking these steps sharply INCREASES pension costs to taxpayers while providing employees with markedly POORER retirement benefits.**

The evidence comes from a study by the National Institute on Retirement Security, whose board and advisors comprise officials of public pension agencies and leading academic experts on pension economics. The study examined the experience of West Virginia, Michigan and Alaska, each of which responded to rapidly rising unfunded liabilities in

their defined benefit public pension funds by closing those plans and placing new employees in defined contribution plans.

The study found that in most cases the unfunded liabilities in the old plans rose sharply, the employees in the new plans failed to build sufficient nest eggs for comfortable retirement and the cost of pensions went up. West Virginia eventually reopened its defined benefit plan to those new employees, and they piled back in. Alaska has considered doing so, but hasn't passed the required legislation.

The main problem with closing defined benefit plans is that the demographics within the closed plans change quickly. Without new members coming in, the number of active workers making contributions shrinks. The loss of young members making contributions for years before retirement is especially damaging. California's giant pension fund, CalPERS,

made this point in a 2011 white paper; its findings are confirmed by the experiences of the three states [...]

The National Institute's report is a reminder that **it's wise to ask who benefits in a shift in public employee pensions from defined-benefit to defined-contribution plans. Not the taxpayers, and not the employees.** That leaves the **major promoters of public-pension panic:** Wall Street investment operators, **such as billionaire John Arnold.** Wall Street collects billions in fees from big public pension funds, but its take from millions of individual retirement accounts is potentially much higher. The lesson for taxpayers and public employees alike is clear: **when you hear “experts” talking about how ending defined benefit plans will save everybody money, keep your hands on your wallets.** ●

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	\$884B
6.	California Public Employees	U.S.	\$296B
15.	New York City	U.S.	\$158B
30.	Alecta	Sweden	\$88B
74.	Colorado	U.S.	\$47B
107.	Alabama	U.S.	\$35B
189.	Wal-Mart	U.S.	\$21B
193.	State Pension	Finland	\$15B
212.	Daimler	Germany	\$19B
282.	Teachers' Pension	South Korea	\$14B
300.	Liberty Mutual	U.S.	\$13B



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:

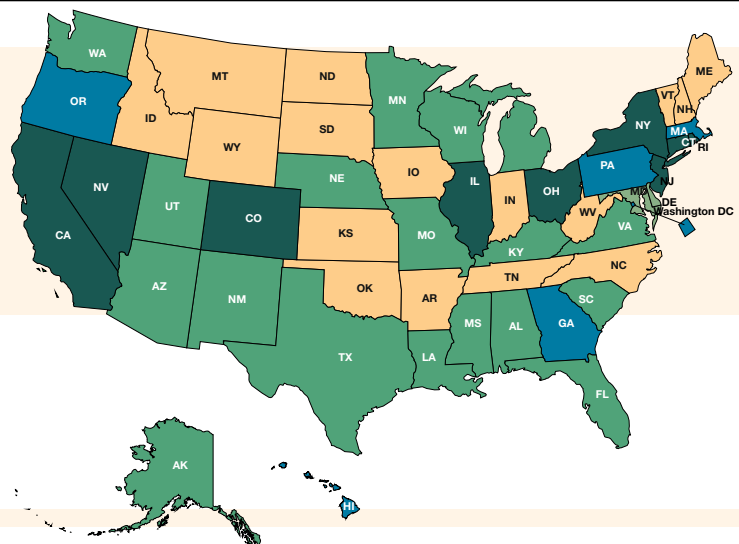
Tag, P.O. Box 302150, Montgomery, AL 36130-2150

State and Local Average Annual Benefit Payments: 2014

Average Payment

- \$16,197 to \$19,999
 - \$20,000 to \$24,999
 - \$25,000 to \$29,999
 - \$30,000 to \$37,613
- U.S. Average: \$26,455

Source: U.S. Census Bureau, 2014 Annual Survey of Public Pensions: State- and Locally-Administered Defined Benefit Data.



Ross Bridge Celebrates 10 Years of Success

Overgrown farmland has been transformed into one of the top resorts in the world with a distinctively Scottish flavor. On August 15, 2005, Renaissance Ross Bridge Golf Resort and Spa opened its doors and made a major cultural change in the area. In the past 10 years, more than 1.5 million guests have stayed at the resort, generating more than \$235 million in revenue for the area and helping position Hoover as a resort destination.

“Over the last 10 years, we have served nearly 3 million meals, provided 102,000 massages and had 290,000 rounds of golf played at the resort,” said Rick Smith, general manager. “The city of Hoover, the residents of Jefferson County and all of Alabama have been very supportive of our resort. We are proud to be part of this community and are delighted to be part of the transformation in the Ross Bridge area. Once the site of a forgotten bridge and agricultural fields, Ross Bridge has risen as a hospitality beacon in Hoover and played a significant financial role in the community.”



RENAISSANCE ROSS BRIDGE GOLF RESORT & SPA

“More than \$27 million in tax revenue has been generated by Renaissance Ross Bridge. We employ 300 of the finest associates that provide world-class service to our local, national and international guests.” Renaissance Ross Bridge has paid \$86.5 million in wages over the past 10 years with most of the money staying in the local area.

“Renaissance Ross Bridge Golf Resort and Spa has been a tremendous asset to the Birmingham area,” said Barry Hoehn, Director of Convention Sales, Greater Birmingham Convention and Visitors Bureau. “Since coming on the scene 10 years ago, Ross Bridge has offered convention attendees and tourists the luxury of enjoying an award-winning resort hotel in Birmingham,” said Hoehn. “The CVB is proud to partner with such a property that host meetings that have brought

enormous economic impact to the city for the last 10 years. Adding Robert Trent Jones golf at Ross Bridge and the nearby Oxmoor Valley courses has proven to be the quintessential experience for guests.” ●

TRS/PEEHIP Board of Control Election

Six positions on the TRS/PEEHIP Board of Control are currently up for election: Teacher Position No. 1, Teacher Position No. 2, Support Personnel Position No. 1, Postsecondary Position, Higher Education Position No. 1, and Retired Position No.1. These positions are currently held by Teresa Swindall, Ricky Whaley, Susan Lockridge, Susan Williams Brown, Ray Hayes, and Sarah Swindle, respectfully. Read all the candidates' bios on the RSA website at www.rsa-al.gov beginning October 1.

Because Susan Williams Brown was the only candidate for the Postsecondary Position, she will retain her position on the Board.

Members will receive ballots after **October 14, 2015**. To be counted, ballots must be returned to VR Election Services of Carrollton, Texas, **by 4:00 p.m., November 23, 2015**. 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.

Elected members to the TRS/PEEHIP Board will only be elected by members from the same category of the retirement system. To be eligible to vote for the:

- **Teacher Positions No. 1 and No. 2**, you must be an active member currently contributing to the TRS who actively instructs students in grades K-12.
- **Postsecondary Position**, you must be an active member currently contributing to the TRS and working in an institution of postsecondary education that is part of the Alabama Community College System, for the Department of Postsecondary Education, or for a designated skills or training center. **You will not receive a ballot because there was only one candidate.**
- **Higher Education Position No. 1**, you must be an active member currently contributing to the TRS and working in a public four-year institution of

higher education or for the Commission on Higher Education.

- **Retired Position No. 1**, you must be a former active member of the TRS and on the TRS retirement payroll.
- **Support Personnel Position No. 1**, you must be an active member currently contributing to the TRS and working as a maid, custodian, bus driver, lunchroom worker, cafeteria worker, secretary, clerk, clerical assistant, maintenance worker, or other non-certificated employee working an average of 20-hours-a-week. All active members who are not otherwise eligible to vote for another position (in this or any other election) shall be eligible to vote for the Support Personnel Position.

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. ●

Fall Is The Perfect Getaway Time at RSA's Outstanding Hotels, Spas, and RTJ Golf

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Member Hotel
Discounts Webpage

ENJOY YOUR FALL
A Special Deal
FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$109**
• October 1, 8, 15-18, 23-31
• November 1-9, 13-16, 18-29
• December 2-3, 5-10, 13-18, 24-29

The Renaissance Riverview Plaza – Mobile – \$99
• October 1, 4-12, 16-20, 25-31
• November 1-2, 8, 15-17, 21-30
• December 1-3, 6-18, 24-26

Marriott Grand – \$109 plus a 15% resort fee
• October 4-8, 11-13, 18, 25-29
• November 3-5, 8-12, 15-19, 24, 29-30
• December 1-3, 6-9, 13-14, 20-22, 27-28

**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
• October 4-8, 11-13, 18, 25-29
• November 3-5, 8-12, 15-19, 24, 29-30
• December 1-3, 6-9, 13-14, 20-22, 27-28

**Marriott Shoals – Florence – \$99;
Breakfast Package \$124**
• October 4, 18, 22, 25-26
• November 8, 15-16, 19, 22-26, 29-30
• December 3-7, 13-14, 17, 20-30

Renaissance Ross Bridge – Hoover – \$109
• October 2-5, 7-8, 11, 18-19, 22, 25-26, 31
• November 1-2, 8-15, 18-19, 21-30 • December 1-30

Opelika Marriott – \$99
• October 5, 9-11, 27
• November 3, 9-11, 15-16, 19-26
• December 1, 9, 13, 15-17, 22-30

Prattville Marriott – \$89
• October 1-6, 11-13, 18, 29-31
• November 5, 8-10, 12, 14-16, 21-26, 29-30
• December 5-13, 15-20

Renaissance Montgomery – \$109
• October 12-15, 26, 29
• November 1-3, 9-10, 15, 22-25
• December 9, 11-12, 16-17, 20-27
RSA Spa Package – \$189 – Promotional code–R2A
• October 13-15, 29 • November 3, 10, 24-25
• December 9, 11-12, 17, 22-26

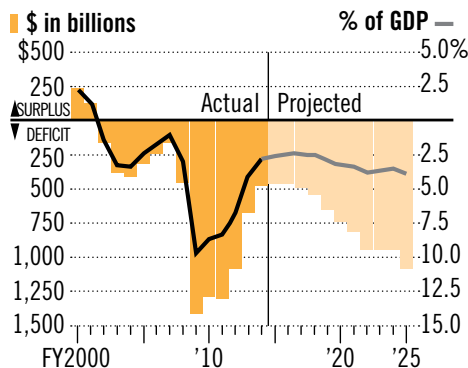
Specific room requests may require additional charge.
Rates available the 1st of the month and
are not applicable to groups.

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

Deficit Attention

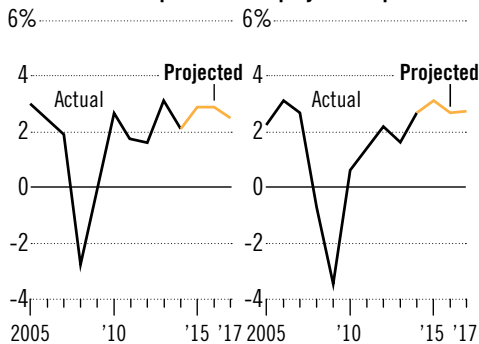
The Congressional Budget Office projects the federal deficit will narrow over the next few years before widening again in 2018.

Federal budget surplus/deficit



The CBO also forecast continued solid gains in gross domestic product, and expects growth in employee compensation.

Gross domestic product Employee compensation



Note: Fiscal year ends Sept. 30. Economic forecasts are for calendar years and are adjusted for inflation. GDP data are fourth quarter vs. a year earlier. Compensation is total wages, salaries and supplements. 2014 GDP and compensation are estimates.

Source: Congressional Budget Office

The Wall Street Journal



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