



# The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



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SERVING OVER 345,000 MEMBERS

November 2016

## Statewide Amendment 14: Vote Yes to Protect RSA Employers and Members!

EDITORIAL

An important statewide constitutional amendment will be on the ballot on November 8. Amendment 14 seeks to protect local bills, which support and protect education, healthcare, public safety, jobs, and retirement.

Due to a recent court case which raised a question regarding the way the Alabama House of Representatives voted on local bills, many important local laws (nearly 700) are in jeopardy of being overturned. This could jeopardize both tax revenues that fund the salaries and retirement contributions paid by many of the local employers who participate in the RSA and the pensions of certain local officials who participate in the RSA.

To prevent these laws and others from being overturned, the Legislature passed Statewide Amendment 14 that would correct this problem and leave these local laws in place. For this Amendment to go into effect, Alabamians must approve it at the polls on November 8. **Vote YES on Statewide Amendment 14** to protect our local laws, participating employers, and members' pensions! ●



## Protecting Your Retirement

BY NEAH SCOTT, LEGISLATIVE COUNSEL

At a recent meeting of the Alabama Retired State Employees' Association (ARSEA), Speaker Mac McCutcheon addressed retired public employees with a reassuring message – "We are going to stand firm on protecting our retirement system."

Speaker McCutcheon also reminded ARSEA members that he is a retired Huntsville police officer who receives monthly benefits from the RSA. Who better to understand how important RSA benefits are to RSA members and Alabama communities than a retired member?

In fiscal year 2015, the RSA paid out \$3.1 billion in benefits to its members. A recent study suggests the economic benefit of these payments for Alabama and its communities is staggering. The National Institute on Retirement Security found that benefit payments from state and local pension funds in Alabama resulted in an additional **\$4 billion economic impact** for the state in fiscal year 2014.

Mr. Speaker, the RSA stands with you. The RSA too has stood firm and continues to stand firm on protecting the RSA so that it can continue to pay out benefits to members and continue to strengthen Alabama.

The RSA looks forward to working with the Speaker and the Legislature to protect and strengthen the RSA, for its members and for the state. ●

## Last 5 Years' Returns Greater Than 9%

BY MARC GREEN

Last month's *Advisor* highlighted the financial impact of the five-year actuarial study, which included lowering the assumed rate of investment returns from 8% to 7.75% over a two-year period. Most public pension plans are also lowering their expected returns.

Because Alabama law requires the ERS and TRS Boards to accept the actuary's recommendations and to ensure mistakes are kept to a minimum, the RSA employed two independent actuarial firms to double-check our actuary's assumptions, as we do every five years.

The tables at right show the actual rates of return for the last five years. The volatility of the stock markets shows how good or bad the stock market can treat an individual as well as a pension program and demonstrates not over reacting when we have a market sell-off. ●

TRS		ERS	
Year Ending 9/30	Market Value Rate of Return	Year Ending 9/30	Market Value Rate of Return
2011	1.81%	2011	2.21%
2012	18.30%	2012	18.01%
2013	14.93%	2013	14.60%
2014	12.13%	2014	12.02%
2015	1.04%	2015	1.05%
Five-Year Average	9.42%	Five-Year Average	9.37%

# ALABAMA

## Pensionomics 2016:

Measuring the Economic Impact of DB Pension Expenditures

### Key Findings

Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Alabama.

Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.

In 2014, expenditures stemming from state and local pensions supported...

- 27,814 jobs that paid \$1.2 billion in wages and salaries
- \$4.0 billion in total economic output
- \$703.2 million in federal, state, and local tax revenues

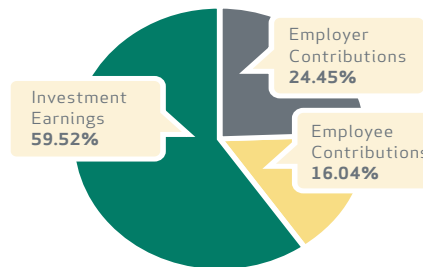
... in the state of Alabama.

Each dollar paid out in pension benefits supported \$1.27 in total economic activity in Alabama.

Each dollar "invested" by Alabama taxpayers in these plans supported \$5.18 in total economic activity in the state.

### Overview

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alabama communities and the state economy. In 2014, 132,433 residents of Alabama received a total of \$3.1 billion in pension benefits from state and local pension plans.



The average pension benefit received was \$1,942 per month or \$23,301 per year. These modest benefits provide retired teachers, public safety personnel, and others who served the public during their working careers income to meet basic needs in retirement.

Between 1993 and 2014, 24.45% of Alabama's pension fund receipts came from employer contributions, 16.04% from employee contributions, and 59.52% from investment earnings. Earnings on investments and employee contributions—not taxpayer based contributions—have historically made up the bulk of pension fund receipts.

### Impact on Jobs and Incomes

Retiree expenditures stemming from state and local pension plan benefits supported 27,814 jobs in the state. The total income to state residents supported by pension expenditures was \$1.2 billion.

To put these employment impacts in perspective, in 2014 Alabama's unemployment rate was 6.8%. The fact that DB pension expenditures supported 27,814 jobs is significant, as it represents 1.45 percentage points in Alabama's labor force.

### Economic Impact

State and local pension funds in Alabama and other states paid a total of \$3.1 billion in benefits to Alabama residents in 2014. Retirees' expenditures from these benefits supported a total of \$4.0 billion in total economic output in the state, and \$2.2 billion in value added in the state.

\$1.8 billion in direct economic impacts were supported by retirees' initial expenditures. An additional \$1.3 billion in indirect impact resulted when these businesses purchased additional goods and services. \$882.0 million in induced impacts occurred when workers employed by businesses as a result of the direct and indirect impacts made expenditures.

————— Total Economic Impact **\$4.0 billion** —————

**DIRECT  
IMPACT**  
\$1.8 billion

**INDIRECT  
IMPACT**  
\$1.3 billion

**INDUCED  
IMPACT**  
\$882.0 million

### Impact on Tax Revenues

State and local pension payments made to Alabama residents supported a total of \$703.2 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$254.0 million. Taxes attributable to direct, indirect and induced impacts accounted for \$449.2 million in tax revenue.

Federal Tax	\$383.4 million
State/Local Tax	\$319.8 million
<b>Total</b>	<b>\$703.2 million</b>

# How to Put \$454,000 in Your Pocket

BY DAVID G. BRONNER

**D**id you know that over the course of a 40-year career, investment fees could cost your deferred compensation plan as much as \$454,000? *Forbes* magazine recently reported that a typical deferred compensation plan account will be worth \$454,000 less over 40 years if the participant pays an investment expense ratio of 0.75, which is a common rate for target-date funds. Even if the fee ratio is reduced to 0.25, the account would still be worth \$232,000 less than if there were no investment fees. Of course, these numbers may be higher or lower depending on factors such as amount contributed and rates of return. This “leak” in 401(k)s or other deferred compensation plans harms plan participants and hinders their ability

to save for retirement because participants not only lose the amount of the fees, but the compounding of those fees over time.

Not every RSA member chooses to supplement their RSA pension benefits through putting money in a deferred compensation savings plan. If they do, however, there is a solution to the problem of losses caused by fees. **Pursuant to state law, RSA-1 charges no fees to participants.** Nada. Zilch. That’s \$0 out of the participant’s account over the entire lifetime of the account! RSA investment professionals invest members’ money at no cost to them. In fact, the cost of investing RSA members’ pension funds is the lowest in the nation! And like all qualified deferred compensation plans,

contributions to RSA-1 are federal and Alabama income tax deferred.

Do not be confused by any other deferred compensation plan offered by the state of Alabama or a local public employer. They all charge fees to participants because they are run by and the money is invested by outside private companies who do not do it for free. Those plans may have other features that would lead a public employee to choose them over RSA-1. But if a member is looking for a no-cost deferred compensation plan, invested in-house by the same RSA professionals who invest the pension funds, RSA-1 is the best and only option. ●

## Texas Writes about Alabama’s RTJ Trail

SOURCE: LONESTARGOLF, TEXAS GOLF ASSOCIATION

**T**hey laughed at Noah when he built the ark. Ben Franklin surely received some curious looks when he was flying a kite in a thunderstorm. Folks wondered why Alexander Graham Bell thought he could talk through a wire, but now the world is going wireless.

Big thinkers with big ideas, for some reason, are often met with the scoffing of skeptics. Such was the case with Dr. David G. Bronner, the CEO of the Retirement Systems of Alabama, when he decided to reinvent the state with a bunch of golf courses.

So when he announced he was pouring \$100 million and change from the billion-dollar pension fund he manages into the creation of the Robert Trent Jones Golf Trail, a network of world-class public golf courses along the state’s main thoroughfares, most thought he had gone nuts.

Golf? In Alabama? C’mon.

Nearly 25 years after the first tee shots were struck on the Trail, even the harshest critics of this grand plan would have to admit it has achieved and perhaps exceeded its goals.

History will show that Bronner has been successful in drastically changing Alabama’s image, transforming the state into one of the world’s top golf meccas and watching tourism and corporate business grow exponentially.

“I think the success of the Trail has been better than I thought it would be,” Bronner said. “I know it’s frustrated a lot of enemies. I know when we started there were a lot of skeptics. There was a lot of ‘Bronner’s stepped off the edge of reality this time’ kind of talk.”

Two things triggered the novel concept of the Trail—a study showing that 90 percent of corporate leaders played golf and the firestorm of controversy that surrounded the 1990 PGA Championship at Shoal Creek because the club did not have any black members.

A problem that was prevalent throughout golf was brought into fury and focus in Birmingham.

“That story was front page news from Seattle to Stuttgart, Germany, and it was a black eye for Alabama,” Bronner said. “I wanted to change the image of the state and when you are doing something like that you find that good news stays at home and bad news travels fast. That was the big challenge.”

So, Bronner launched the world’s biggest golf course construction project.

The seven original sites included four 54-hole facilities (Magnolia Grove in Mobile, Oxmoor Valley in Birmingham, Grand National in Auburn and Hampton Cove in Huntsville) and three others with 36 holes (Cambrian Ridge in Greenville,

Highland Oaks in Dothan and Silver Lakes in Anniston).

The Trail garnered immediate attention for its vision, value and volume of magnificent golf courses. Magazines, newspapers and television stations all over the world reported about the new golf in Alabama and the tourists began to pour in, coming to see Bronner’s playground instead of driving to more costly golf resorts in neighboring Florida or Georgia.

That created another problem, albeit a good one, for Bronner to solve. There was a lack of upscale hotels for visitors to stay when they played the Trail. So he continued to add to the Trail’s treasures, building more courses and partnering with Marriott to add a splash of luxury to stay-and-play packages.

Bronner acquired the historic Grand Hotel in Point Clear and renovated the two courses at Lakewood Golf Club. He added Capitol Hill in Prattville, the Trail’s first facility with three championship courses and one that included an onsite hotel and conference center. A hotel and conference center was also added to the sprawling Grand National.

The RSA continued to grow golf with the addition of The Shoals, a 36-hole facility with a resort and spa in Muscle Shoals

# Start Planning Your Holiday 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

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



Member Hotel  
Discounts Webpage

ENJOY YOUR FALL/WINTER  
A Special Deal  
FOR RSA MEMBERS

**The Battle House,**

**A Renaissance Hotel—Mobile—\$109**

- November 1-2, 5-10, 13-29 • December 4, 7-29
- January 1, 2, 6-10, 14-18, 29-31

**The Renaissance Riverview Plaza—Mobile—\$99**

- November 6-10, 13-30 • December 1, 7-27, 29
- January 1, 2, 6-14, 20-21, 29

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

- November 6-10, 13-15, 20-22, 26-30
- December 1, 4-5, 11-15, 18-22, 26-29
- January 1-5, 11-16, 20-31

**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 6-10, 13-15, 20-22, 26-30
- December 1, 4-5, 11-15, 18-22, 26-29
- January 1-5, 11-16, 20-31

**Marriott Shoals—Florence—\$99;**

**Breakfast Package \$124**

- November 4-8, 19-27
- December 2-5, 8-12, 15-29
- January 1-8, 13-14, 20-22, 27-29

**Renaissance Ross Bridge—Hoover—\$109**

- November 4-9, 13-24, 27-30
- December 1-30 • January 1-29

**Opelika Marriott—\$99**

- November 1-2, 6-8, 10-16, 20-28
- December 3-7, 11-13, 18-30
- January 1-8, 15-16, 22-23, 29-31

**Prattville Marriott—\$89**

- November 5-7, 13-14, 20-21, 27
- December 4-5, 11-12, 18-19, 25-26
- January 1-2, 8-9, 15-16, 22-23, 29-30

**Renaissance Montgomery—\$109**

- November 6-8, 19, 22, 26
- December 18-30 • January 1-4, 15

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

- November 8, 19, 22, 26 • December 20-24, 27-30
- January 3-4

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](http://www.rsa-al.gov)  
**Book Online and Save RSA \$4.**

## Texas Writes about Alabama's RTJ Trail

CONTINUED FROM PAGE THREE

that allowed the Trail to stretch from the cliffs overlooking the Tennessee River to the shores of Mobile Bay. Now America's original trail has 26 courses on 11 sites across Alabama.

As for lodging, two of the eight properties (Ross Bridge and Grand National) in the RTJ Resort Collection were named Editor's Choice Resorts by *Golf Digest* in 2016. Another hotel in Florence was the top-ranked Marriott in the Eastern U.S. for 2015. Others blend history with great food and all remain focused on golf.

The Trail has not only attracted golf tourists but has also become home to two major professional tournaments. Prattville's RTJ Capitol Hill is the home of the Yokohama Tire LPGA Classic. RTJ Grand National in Auburn/Opelika hosts the PGA Tour's Barbasol Championship each summer.

No one is laughing now as RTJ approaches its 25th year in 2017 and exceeds its 12 millionth round of golf. Golf. In Alabama. Come on and enjoy. ●

## 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



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