



# ***ACTION ALERT***

***Georgia State Retirees Association***

***February 2009***

## ***“ALTERNATIVE INVESTMENT” Legislation ---- IT’S BAAACK!***

Remember all the letters, emails and phone calls you so diligently sent to your state senators and representatives to defeat SB 80 over the last two years? Well, the General Assembly has resurrected the bill this year as **House Bill 249 and Senate Bill 129**---different bill numbers, same bad idea.

Just like the previous attempt, HB 249 and SB 129 will allow part of our pension funds to be invested in so-called “alternative investments”, all of which are considered very risky. Such investments include: leveraged buyout funds, mezzanine funds, debt funds, workout funds, venture capital funds, warrants, options, recapitalizations, distressed debt and equity investments, derivatives, and on and on and on. Perhaps you’ve heard some of these terms mentioned in recent newscasts on the role such instruments may have played in the current severe economic downturn.

### ***Why you should be concerned:***

Legislation authorizing so-called “alternative investments” of ERS assets places our pensions at greater risk, and will place the ultimate ability of the fund to pay our pensions at greater risk. Although the amount to be invested in such risky ventures would be limited to 5%, it would amount to over half a Billion dollars. Any amount is too much!

Proponents of this legislation claim that their only interest is to increase the rate of return on ERS investments to ensure the long term financial strength and stability of the ERS fund. Don’t be fooled! More than a few of the individual legislators, and others pushing to pass this legislation, have close ties to the investment banking industry. Much has been written about how well these investments do in boom times, but how about when things go bust? Check out the following Wall Street Journal and NY Times articles online: [\*Smart Money Takes a Dive on Alternative Assets - WSJ.com\*](#) [\*Investors Flee as Hedge Fund Woes Deepen - NYTimes.com\*](#) [\*Hedge Funds, Unhinged - NYTimes.com\*](#)

Interestingly, both these bills specifically exclude the Teachers Retirement System from any such risky ventures. Remember Senator Judson Hill’s astounding public statement last year when he testified that retired teachers had been exempted because “I don’t want to do something that’s going to hurt my Mother, who is a retired teacher. . . “?

Senator Hill sponsored SB 80, and not surprisingly, he is also sponsoring SB 129 this year.

One wonders what, if any, objective analysis or research has been conducted to justify this legislation. In the recent House Retirement Committee Meeting, Rep. Chuck Martin (author of HB 249) offered an analysis to demonstrate the performance of alternative investments over various time periods (one to ten years in this case). However, the analysis periods ended in July 2006, over two years ago, LONG before the catastrophic events of the past year! Using such outdated performance information is misleading, to say the least. The truth is that supporters of alternative investments have NEVER provided quantitative justification for their unsubstantiated claims. And no ERS staff has responded to GSRA’s requests for copies of any such research or analysis. Perhaps there is none to show because it doesn’t exist?

Probably the most disturbing part of both HB 249 and SB 129 is the shielding from public scrutiny of information about these “alternative investments”. Secrecy provisions of the current two bills are a bit less restrictive than those of the previous SB 80, but not by much. Neither bill provides much in the way of real official oversight.

### ***What you need to do:***

To review the proposed bills HB 249 and SB 129, go to [http://www.legis.ga.gov/legis/2009\\_10](http://www.legis.ga.gov/legis/2009_10) and follow the instructions. If you are concerned about this proposed legislation, you are urged to contact your state representative and your state senator. You can find your representative by visiting [www.legis.state.ga.us](http://www.legis.state.ga.us) and then clicking on “Find your Legislator” at the bottom of the page. Or visit [www.mygsra.com](http://www.mygsra.com) home page and go to the “Legislation” tab. From the dropdown menu, click on “contacting legislators”. Please take care to follow the GSRA guidelines for communicating with your elected officials.

***You are also urged to contact the Governor, Lt. Governor and Speaker of the House, as well as***

*every member of both the House and Senate Retirement Committees. Contact information for all of them is found on the following pages.*

make a difference! The fact that both these bills, which are identical in wording, have been introduced in both the House and the Senate, seems to indicate that this Administration is determined to pass this legislation..

Finally, please talk to your fellow state retirees who have not yet joined GSRA. As we have learned, numbers DO

<b>Georgia Elected Leadership</b>		
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<b>HOUSE Retirement Committee Members</b>		
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<p><b>Rep. Brooks Coleman, R-Dist. 97</b> 416 State Capitol Atlanta, GA 30334 Phone: 404 656-9210 Local: 3919 Hillside Dr. Duluth, GA 30096 770-476-4471 (home) E-mail: <a href="mailto:brooks.coleman@house.ga.gov">brooks.coleman@house.ga.gov</a></p>	<p><b>Rep. John Meadows, Vice Chair, R-Dist. 5</b> 608 Coverdell Legislative Office Bldg. Atlanta, GA 30334 Phone: 404 656-0298 Local: 110 Victory Court Calhoun, GA 30701 706-629-4441 (office) E-mail: <a href="mailto:johnmeadows@starrmathews.com">johnmeadows@starrmathews.com</a></p>	<p><b>Rep. "Coach" Williams, D-Dist. 89</b> 507 Coverdell Legislative Office Bldg. Atlanta, GA 30334 Phone: 404 656-0202 Local: PO Box 436 Avondale Estates, GA 30002 E-mail: <a href="mailto:earnest.williams@house.ga.gov">earnest.williams@house.ga.gov</a></p>
<p><b>Rep. Tommy Benton, Sec'y, R-Dist. 31</b> 501 Coverdell Legislative Office Bldg. Atlanta, GA 30334 404 656-0177 Local: 177 Martin St. Jefferson, GA 30549 706 367-5891 (home) E-mail: <a href="mailto:tommy.benton@house.ga.gov">tommy.benton@house.ga.gov</a></p>	<p><b>Rep. J. Craig Gordon, D-Dist. 162</b> 607 Coverdell Legislative Office Bldg. Atlanta, GA 30334 Phone: 404 656-0287 Local: 102 Oglethorpe Professional Court Unit 4 Savannah, GA 31406 912 231-8958 (office) E-mail: <a href="mailto:craig.gordon@house.ga.gov">craig.gordon@house.ga.gov</a></p>	<p><b>Rep. Lynnmore James, D – Dist. 135</b> 409 Coverdell Legislative Office Bldg Atlanta, GA 30334 404 656-0116 Local: 114 Walnut St. Montezuma, GA 31063 478 472-5064 (office) 478 472-5060 (fax) E-mail: <a href="mailto:lynnmore.james@house.ga.gov">lynnmore.james@house.ga.gov</a></p>
<p><b>Rep. Burke Day, R-Dist. 163</b> 218 State Capitol Atlanta, GA 30334 404 656-5096 Local: PO Box 2627 Tybee Island, GA 31328 912 786-7050 (home) (No E-mail address)</p>	<p><b>Rep. Rich Golick, R – Dist. 34</b> 132 State Capitol Atlanta, GA 30334 404 656-5943 Local: 2372 Simpson Farm Way Smyrna, GA 30080 770 319-7200 (home) 770 319-0970 (fax) E-mail: <a href="mailto:rich.golick@house.ga.gov">rich.golick@house.ga.gov</a></p>	<p><b>Rep. Gene Maddox, R – Dist. 172</b> 401 Coverdell Legislative Office Bldg. Atlanta, GA 30334 404 656-0152 Local: 2228 Highway 93 South Cairo, GA 39828 229 377-1812 (home) E-mail: <a href="mailto:topdrawer@mchsi.com">topdrawer@mchsi.com</a></p>
<p><b>Rep. Tom Weldon, R – Dist. 3</b> 401 Coverdell Legislative Office Bldg Atlanta, GA 30334 404 656-0152 Local: PO Box 1459, Ringgold, GA 30736 (No E-mail address)</p>		

**SENATE Retirement Committee Members**

<p><b>Sen. Bill Heath, Chair, R – Dist. 31</b>          109 State Capitol          Atlanta, GA 30334          404 651-7738          404 651-5795 (fax)          Local: 2225 Cashtown Rd.          Bremen, GA 30110          770 537-5234 (office)          770 537-6383 (fax)          E-mail: <a href="mailto:billheath@billheath.net">billheath@billheath.net</a></p>	<p><b>Sen. Jim Butterworth, R-Dist. 50</b>          325B Coverdell Legislative Office Bldg          Atlanta, GA 30334          404 463-5257          404 463-2535 (fax)          Local: PO Box 2000          Cornelia, GA 30535          706 499-7567          E-mail: <a href="mailto:jim.butterworth@senate.ga.gov">jim.butterworth@senate.ga.gov</a></p>	<p><b>Sen. Ronnie Chance, Vice Chair R-Dist. 16</b>          319B Coverdell Legislative Office Bldg.          Atlanta, GA 30334          404 463-1366          404 657-0797 (fax)          Local: 130 Regal Oak          Tyrone, GA 30290          770 969-9155          770 969-9755 (fax)          E-mail: <a href="mailto:ronnie.chance@senate.ga.gov">ronnie.chance@senate.ga.gov</a></p>
<p><b>Sen. Freddie Sims, Secretary, D – Dist 12</b>          305A Coverdell Legislative Office Bldg          Atlanta, GA 30334          404 463-5259          404 657-7266 (fax)          Local: 5377 Goose Hollow Rd.          Dawson, GA 31742          229 347-0251  <a href="mailto:freddie.sims@senate.ga.gov">freddie.sims@senate.ga.gov</a></p>	<p><b>Sen. Jack Murphy, R – Dist. 27</b>          304B Coverdell Legislative Office Bldg          Atlanta, GA 30334          404 656-7127          404 463-1381 (fax)          Local: 3830 Adams Rd.          Cumming, GA 30041          770 887-1960 (office)          770 205-0602 (fax)          E-mail: <a href="mailto:jack.murphy@senate.ga.gov">jack.murphy@senate.ga.gov</a></p>	<p><b>Sen. Cecil Staton, R – Dist. 18</b>          303B Coverdell Legislative Office Bldg          Atlanta, GA 30334          404 656-5039          404 656-6484 (fax)          Local: PO Box 26427          Macon, GA 31221          478 757-0983          478 757-1305 (fax)          E-mail: <a href="mailto:cecil.staton@senate.ga.gov">cecil.staton@senate.ga.gov</a></p>
<p><b>Sen. Doug Stoner, D – Dist. 6</b>          121E State Capitol          Atlanta, GA 30334          404 463-2518          404 651-6767 (fax)          Local: PO Box 1781          Smyrna, GA 30081          770 436-0699 (office)          E-mail: <a href="mailto:doug.stoner@senate.ga.gov">doug.stoner@senate.ga.gov</a></p>	<p><b>Sen. Horacena Tate, D – Dist. 36</b>          110C State Capitol          Atlanta, GA 30334          404 463-8053          404 463-7783 (fax)          Local: 201 Joseph E. Lowery Blvd NW          Atlanta, GA 30314          404 577-5609          E-mail: <a href="mailto:horacena.tate@senate.ga.gov">horacena.tate@senate.ga.gov</a></p>	