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SERVING OVER 380,000 MEMBERS

December 2022



2022 RSA Investment Performance

BY MARC GREEN, DEPUTY DIRECTOR FOR INVESTMENTS

Total Portfolio	1 Year	Annualized		
		Last 3 Years	Last 5 Years	Last 10 Years
TRS	-13.18%	3.99%	4.78%	7.33%
ERS	-13.02%	3.99%	4.79%	7.38%
JRF	-14.87%	3.44%	4.67%	7.12%

Without question, 2022 was an awful year to own most any asset class in the capital markets. Our expectation that the long bull run in the bond market had run its course proved to be correct. Unfortunately, stocks became highly correlated with the rising rate environment as the Federal Reserve started aggressively hiking rates to try and cool inflation down.

Although earnings for the most part held up well, the price multiple investors were willing to pay to own stocks declined as the language from the monetary policymakers changed. Looking back, it is almost always easy to see your mistakes and last year proved no different. Cash and pockets of real estate did well, but most everything in public markets on average was down double digits. I mention public markets because private market assets performed better, but there are lots of nuances that allow for that. Their day of reckoning is coming.

Following the events of calendar year 2022, there is obviously much angst and confusion as to what path lies ahead. We have a litany of issues on the horizon not limited to: a global recession that is highly likely; concerted monetary policy tightening; Russian/Ukrainian war that is ongoing; dislocations in the currency markets; and China becoming more aggressive. It is hard to see through all these issues, but I would argue that it is not unprecedented.

On the positive side, corporate balance sheets are in good shape, as well as the overall banking system, especially in the U.S. We have already seen a big reset of the P/E multiple, so some of the heavy lifting has already happened. Inflation may have peaked, which provides a runway for the Federal Reserve to at least sound less hawkish. The market climbs a wall of worry, and the wall is high at this point. With sentiment as negative as it is, we do not believe now is the time to de-risk. On the contrary, we are finding many attractive investments in fixed income for the first time in many years. We expect there will be more turbulence in the coming quarters, but with that comes opportunities. We will adjust the portfolio accordingly.

Our peer group ranking (State Street Public Funds Universe greater than \$1 billion) for last year was around the 73rd percentile on a dollar-weighted basis. The five-year ranking for all three plans were below the median. The ten-year dollar-weighted return was right at the median vs. the peer group. We expect these numbers to improve as the heavier alternative asset class weighting of the peer group gets valuations marked down in the coming quarters. ●

Are We Really Considering Lower Taxes?

BY DAVID G. BRONNER

Many years ago, a multi-billionaire caught me by surprise by telling me he did not care about paying reasonable taxes. His point was that reasonable taxes on income were a lot better than not having an income. In a similar vein, Marie Antoinette once stated about the poor, "Let them eat cake." Clearly, that was not the best move to extend her life expectancy.

Yes, Alabama has and will continue for a couple of years to have more revenue than any time in our history due to good planning by our state legislators. However, it was "a gift" from our federal government that we usually criticize! In case you have forgotten, those federal funds are improving some of our problems: prisons, clean water and sanitation, and broadband.

Alabama has not increased taxes one single dime for years, other than the gas tax for some long overdue roads and bridges. The 2022 Legislature passed 18 laws that in one way or another reduced taxpayer dollars by \$160 million to the state budgets. In the past, it has taken numerous years to even pass a minimal amount of needed funds for the state to barely function. The Alabama Policy Institute says to give it back to the people and continue to starve the low level of state services.

I urge our legislators to think long and hard about any tax reduction without a new source of revenue to replace that reduction. We ALREADY have one of the lowest total taxes in the United States. Instead of considering more tax breaks, how about solving some of the problems of Alabama, like health insurance for 300,000 Alabamians, adequate staffing at our prisons and public safety, along with improving mental health facilities and education!

As I stated one year ago about our outstanding 2021 investment performance, "The future is not clear going forward," and we quickly had a very nasty 2022.

Most importantly, there is no way possible our federal government can fund another gift to the states in my lifetime without it causing a complete breakdown of our country. ●

News from The Trail

BY MARK FAGAN

THE GRAND HOTEL AND LAKEWOOD

Marriott International awarded the RSA's Grand Hotel Golf Resort & Spa, Autograph Collection Hotel of the Year award in El Paso, TX. The Grand Hotel earned this prestigious best-in-class award out of 142 Autograph Collection hotels and resorts in North America. Thank you to our Grand associates and guests; this recognition would not be possible without your support of the Queen of the Southern Resorts!

The Colony at The Grand, adjacent to the Grand Hotel, was featured in *Alabama Magazine* for September/October 2022. The article was a description with photos of this residential development. There have been more than 300 houses built and occupied (Summer 2022), with 70 houses under construction and 40 houses waiting to be built for the latest phase.

The Lakewood Club at the Grand Hotel officially opened its new Southern Croquet Court on October 21, 2022. It is located next to their Aquatics and Fitness Center on Sweet-water Lake.

Court reservations are scheduled through the Tennis Shop where equipment is provided. White attire and athletic shoes are required and can be purchased in the Tennis Shop.

GRAND NATIONAL

One-third of the land for housing at Grand National has been developed since 2009. **National Village** at Grand National has almost 300 houses built and fully

surfaces. Player surrounds were contoured for easier walkability. Drainage was improved in chipping areas, and bunkers were eliminated or moved to allow friendlier approaches to green surfaces.

The goal of this renovation was to allow a more player-friendly experience for all levels of play.

2022 COURSE RATINGS

USA Today's Golfweek offers a list of the best public courses for each state. Hundreds of *Golfweek's* Best Ratings panel members continually rate courses on ten criteria and produce an overall rating on each course. The RTJ Golf Trail has 8 of the top 10 public courses in Alabama for 2022. The Trail courses were ranked as follows: 2. Capitol Hill-Judge Course; 3. Grand National-Lake Course; 4. Ross Bridge Course; 5. Capitol Hill-Legislator Course; 6. Cambrian Ridge-Sherling and Canyon Courses; 7. Oxmoor Valley-Ridge Course; 9. Magnolia Grove-Falls Course; and 10. Grand National-Links Course.

Mike May, an international travel/golf writer, recently published an article, "4 of Alabama's Best Golf Courses."

These courses are on the Trail in central Alabama: Oxmoor Valley-Ridge Course; Grand National-Lake and Links Courses; Capitol Hill-Judge Course; and Ross Bridge Course. He rated all of the above very favorably for access and affordability. ●

Autograph Collection HOTEL OF THE YEAR



occupied, with plans to add 600 more within the next 15 years.

The Short Course (18 par-3 holes) at Grand National was renovated in 2022. The greens were enlarged and converted to TifEagle Ultradwarf grass for faster

New! Multi Factor Authentication (MFA)

A second layer of login protection is now required to access your Member Online Services (MOS) account at mso.rsa-al.gov. Your first login will require you to set up your MFA contact information. Once the setup

has been completed, every login after that will send you a verification code to enter on your computer to log in to your account. This is just another way the RSA is working to keep your information safe and secure! ●

Alabama Success Story

Mac the Robot Construction Dog

For Auburn's McWhorter School of Building Science (BSCI), the phrase "man's best friend" means something entirely different. Their dog is 3 feet tall, 80 lbs – and a robot. Called "Mac" in honor of Earlon McWhorter, the namesake of the McWhorter School of Building Science, this 'robot dog' is an innovative tool to teach and inspire future Alabama builders.

Mac was built by BostonDynamics, a Massachusetts-based robotics company specializing in robots that move like living creatures. "I think [they're] the most advanced robotics company in the world right now. The stuff they're doing...is novel," says Mac's "handler," Assistant Professor Dr. Eric Wetzel. Mac was expensive, costing over \$70,000, but Wetzel says Mac is worth the price. Mac is from a line of robots called Spot, built to move like dogs. "There are other companies and other robots that look like dogs, but nobody has the system that BD has. When it became commercially available, it was basically a no-brainer for us."

Mac is construction technology made to navigate the rough terrain of construction sites. In addition to navigating uneven terrain, Spots are water resistant and can even stand up on their own when fallen over. Other Spots like

Mac will work to make high-risk workplaces like construction sites and mines safer by inspecting and mapping the area. For Auburn, however, he will fill a few different duties: research, teaching, and outreach.



"As researchers, Mac is a mechanism to explore solutions to specific labor and data collection inefficiencies in our industry," says Dr. Wetzel. "Using the tech that we have in Mac opens the door to solving

current market issues but also gives us a benchmark for the next steps. We are always asking ourselves, how can we take the current tech and push it forward for additional application?"

Mac will be used for hands-on, practical learning in the classroom as well as out in the field. Mac will also participate in some PR work through classroom visits to spread interest in STEM, engineering, and construction to younger generations. With the current labor shortage, the education of new engineers to fill those gaps is more important than ever. Wetzel thinks introducing people to Mac will inspire them to learn more about engineering. "If I walk in there with a 3-foot robot...there's a good chance those students may never forget that moment," says Wetzel. "I suspect they won't remember me, or the school I represent, but they'll certainly remember the robot. And, really, that's the most important part."

This is a series of articles about Alabama Success Stories. Please let us know if you have a similar success story you would like to share with the RSA membership. You may contact us at communication.correspondences@rsa-al.gov. ●

Retired Public Safety Officers: HELP is Here!

The ERS and TRS Boards recently approved implementation of the Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act. The HELPS Retirees Act permits eligible retired public safety officers to use up to \$3,000 per year from his or her defined benefit plan, which is your pension, on a pre-tax basis to pay for healthcare insurance premiums or long-term care premiums. Under current law, the money must be paid directly from the defined benefit plan to the health- or long-term care

insurance company. Participation in this program can result in a tax savings for you. You may wish to discuss your participation with your tax advisor.

Eligible retired public safety officers as defined by the Internal Revenue Code include law enforcement officers (including police, corrections, parole, probation, and judicial officers), firefighters, members of a rescue squad or ambulance crew, or chaplains to a fire or police department **who have retired and are drawing a retirement benefit from the ERS or TRS.**

If you are currently retired and eligible to participate, you will receive a letter this December providing additional information about the HELPS Retirees Act and a form to complete should you choose to participate. This program will continue to be available to all public safety officers upon retirement. Many thanks to the ERS Board and the TRS Board for providing this benefit to our public safety officers! ●



The RSA Staff wishes you a

Merry Christmas!



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Discounts Webpage

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

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ENJOY YOUR WINTER A Special Deal FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel \$129

- December 1-3, 8, 11, 15, 18-29
- January 2-10, 15-16, 22-23, 26
- February 5-6, 22-28

The Battle House RSA Spa Package \$244

- December 19-21, 26-28 • January 2-4, 9-10, 16, 23
- February 6, 22, 27-28

Riverview Plaza \$119

- December 9-12, 18-29 • January 2-15, 22-23
- February 5-6, 9, 12, 22-28

Grand Hotel (plus a 15% resort fee) \$137

- December 4-6, 11-15, 18-21
- January 1-4, 8-10, 22-25, 29-31
- February 1-2, 5-9, 12-14, 19-23, 26-28

Grand Hotel RSA Golf Package (plus a 15% resort fee) \$209

- December 4-6, 11-15, 18-20
- January 1-4, 8-10, 22-25, 29-31
- February 1-2, 5-9, 12-14, 19-23, 26-28

Grand Hotel RSA Spa Package \$285 (plus a 15% resort fee)

- December 6, 13-15, 20 • January 3-4, 10, 24-25, 31
- February 1-2, 7-9, 14, 21-23, 28

Marriott Shoals \$119

- December 12, 16, 21-30 • January 1-19
- February 5-6, 12, 19-20

Marriott Shoals RSA Spa Package \$229

- December 12, 16, 21-23, 26-30 • January 8-14
- February 5-6, 12, 19-20

Renaissance Ross Bridge \$129

- December 7, 14, 21, 27-28
- January 1-2, 8, 15, 22, 29-30
- February 1, 5, 12, 19-20

Renaissance Ross Bridge RSA Spa Package \$260

- December
 - January
 - February
- N/A due to Renovation**

Auburn/Opelika Marriott Resort \$119 (plus a 10% resort fee)

- December 18-29 • January 1-5, 10-12, 15-16
- February 5-7, 12, 19-21

Auburn/Opelika Marriott Resort RSA Spa Package \$234 (plus a 10% resort fee)

- December 18, 21-23 • January 1, 4-5, 11-12, 15
- February 5, 12, 19

Prattville Marriott \$99

- December 1, 4, 18-29 • January 1-9, 29
- February 5-6, 12, 19-20, 26

Renaissance Montgomery \$129

- December 18-22, 27-30 • January 1-9
- February 2, 10, 19, 26-27

Renaissance Montgomery RSA Spa Package \$244

- December 20-22, 27-30 • January 3-7
- February 2, 10

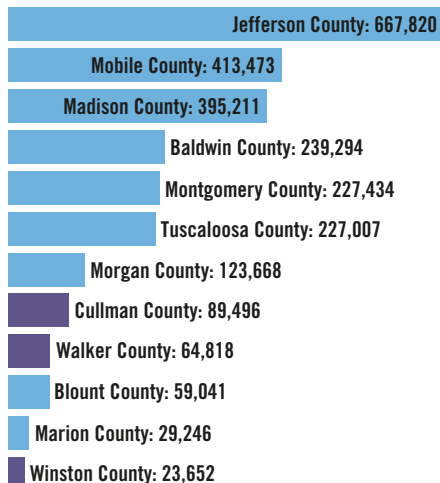
Specific room requests may require additional charge.
Rates available the 1st of the month and
are not applicable to groups.

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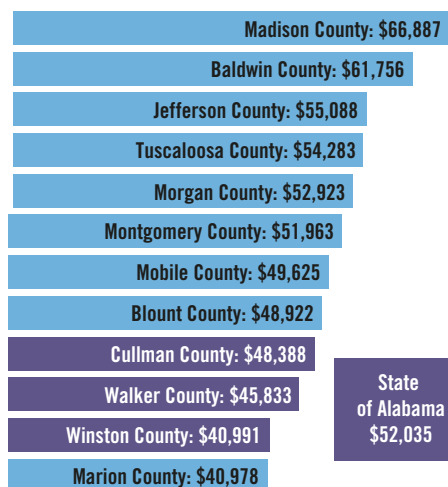
Population

Total Alabama Population: 5,039,877



Source: U.S. Census Bureau, BusinessAlabama.com

Median Household Income



Source: U.S. Census Bureau, BusinessAlabama.com



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