



Vol. XLIX—No. 6

SERVING OVER 380,000 MEMBERS

December 2023



2023 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	13.26%	6.44%	5.50%	7.18%
ERS	12.89%	6.26%	5.47%	7.22%
JRF	14.66%	5.56%	5.67%	7.18%

The past fiscal year felt awfully like the prior year, except that returns across the funds were up about the same amount as they were down in 2022. The long list of issues plaguing markets was still pervasive throughout fiscal 2023. First and foremost was the lingering inverted yield curve that has proved very prescient in predicting recessions. With the Federal Reserve keeping the pedal to the metal on rate hikes, the Fed Funds rate went from basically zero to over 5% in 18 months. Most market historians would expect that this scale of rate hikes would inevitably cause a recession. The question the whole way through was could they orchestrate a soft landing, or would they break the financial system and cause a deep recession?

Looking back, there were a number of factors that could point you towards a recession. The global economy was in a funk, with the number two economy in the world, China, struggling on several fronts. Europe had a nice rebound, only to start faltering throughout the summer.

The Russia/Ukraine war continues with no seeming end in sight. The one driving force that held markets together was corporate earnings, which continued to hold strong despite all these headwinds.

Last year, we wrote that it was not a great time to de-risk the portfolio considering what had happened across the capital markets universe. Fast forward to today, and we have begun to reposition the portfolio more defensively. We have used the equity rally to pare back on stocks and increase the weightings in both our short-term investments (cash) as well as core fixed income. For the first time since the Global Financial Crisis, yields on fixed income are looking relatively attractive, with the average yield more than tripling from the low at the end of fiscal year 2021. This is not to say the coast is totally clear on fixed income, but at least one is finally getting paid to take credit risk at current levels.

As for the stock market, it reverted back to megacap technology stocks being

responsible for a large part of returns. It is really a tale of two markets, with that subsegment trading at very rich valuations, and the rest at more modest valuation levels. Most of our selling has been out of the S&P 500, which is dominated by the more expensive megacap stocks.

Our peer group ranking (State Street Public Funds Universe greater than \$1 billion) for last year was in the 16th percentile on a dollar-weighted basis. The five-year ranking for all three plans was below the median. The ten-year dollar-weighted return was above the median vs. the peer group.

As we spoke of last year, private market assets are a much bigger percentage of the peer group asset allocation. The past twelve months saw material markdowns on private investments, which provided a tailwind to our relative performance. The increased cost of capital and the leverage broadly employed in private market securities hurt their returns relative to public market securities. ●

PROJECTED STATE COSTS FOR 2024–25

Projected Retirement Employer Cost Retirement Systems of Alabama (Amounts in millions)

Retirement	Actual 2022-2023	Estimated 2023-2024	Requested 2024-2025
Teachers' (TRS)	\$999	\$1,038	\$1,125#
Employees' Regular-State (ERS)	256	281	287*
Judicial (JRF)	21	22	24
Total Retirement Cost	\$1,276	\$1,341	\$1,436

Projected Insurance Employer Cost Retirement Systems of Alabama (Amounts in millions)

Insurance	Actual 2022-2023	Estimated 2023-2024	Requested 2024-2025
PEEHIP (Teachers)	\$987	\$996	\$996&
SEHIP (State Employees)	344	361	361
Total Insurance Cost	\$1,331	\$1,357	\$1,357

& Estimated \$709.85M from Education Trust Fund

Note: PEEHIP numbers exclude amounts from Universities for retiree costs

Note: FY2025 estimated cost for PEEHIP totals \$1.55 billion

Estimated \$662.96M from Education Trust Fund * Estimated \$80.36M from General Fund

Note: amounts from FY2025 Budget documents

10 Medicaid Holdout States Scramble to Improve Health Coverage

BY ANNA CLAIRE VOLLERS, *STATELINE*

The Republican-led states that have refused to expand Medicaid are trying a variety of strategies to save struggling hospitals and cover more people without full expansion, which was one of the key provisions of the Affordable Care Act.

Georgia passed a partial expansion of Medicaid, the federal-state program that provides health coverage to low-income and disabled Americans, earlier this year. States such as Alabama and Florida have bumped up spending on programs that serve specific populations, such as pregnant women or residents with mental health needs. And Mississippi Republican Gov. Tate Reeves last month floated a plan to use federal money to increase Medicaid reimbursements to hospitals.

But healthcare advocates say those efforts are weak substitutes for full expansion — especially as non-expansion states continue to fare poorly on most health metrics. . . .

“More Republican lawmakers in the past few years have softened to the idea that there’s something inherently not working in their states’ healthcare system, that people aren’t getting access to care, doctors aren’t being incentivized to stay, hospitals aren’t open,” said Jane Adams, government relations director for the American Cancer Society’s Cancer Action Network in Alabama.

“But they haven’t yet come to the conclusion that you must

close the coverage gap first before you can address those other problems.”

Supporters of Medicaid expansion have long argued that giving more people health insurance would improve health outcomes and help keep the doors open at financially strapped hospitals, especially in rural areas.

But GOP critics in the non-expansion states — Alabama, Florida, Georgia, Kansas, Mississippi, South Carolina, Tennessee, Texas, Wisconsin, and Wyoming — say it’s too expensive, question its effectiveness, or remain ideologically opposed to government-funded healthcare....

Under the 2010 Affordable Care Act, states were empowered to expand Medicaid coverage to adults with incomes up to 138% of the federal poverty level — about \$20,120 for an individual — with the federal government covering 90% of the cost.

But in many non-expansion states, most adults can’t get full Medicaid coverage no matter how low their incomes are, unless they’re pregnant, a parent, or have a disability. And coverage for parents is meager. **In Alabama, for example, a single parent with two children can’t qualify for Medicaid if he or she makes more than \$4,476 per year.... ●**



Poverty in the Black Belt The Full Story

SUMMARY: EDUCATION POLICY CENTER

“Today, over 2.1 million people are employed in Alabama; that’s the most in state history, y’all. We recently announced the unemployment rate in Alabama remains at a record low of 2.2 percent, the lowest in the Southeast... Well, while Alabama has one of the lowest unemployment rates in the country, we rank at the other end of the scale in labor force participation. Approximately 50,000 Alabamians are not looking for a job. This ranks us near the bottom nationally in labor force participation. We’ve got to work on getting 50,000 folks who aren’t looking for jobs...get them looking for jobs because there are jobs to be had.”

—Governor Kay Ivey

Even though Alabama currently reports historically low unemployment rates, the numbers mask longstanding issues in the Black Belt, according to new research. Many residents in the state’s poorest region are left out of its low unemployment count because they have stopped looking for work. Many are single parents who struggle to find jobs while balancing childcare. The state’s Black Belt counties, all 24 of which have been stuck in persistent poverty for decades, have a higher concentration of residents that have fallen through the gaps in finding jobs, according to new data by the Education Policy Center at the University of Alabama.

The Education Policy Center’s new

data on the Black Belt region measures the Prime Age Employment Gap, which counts adults between the ages of 25 and 54 years who are not working and are not searching for a job, in addition to people who are unemployed and still searching. The Black Belt’s Prime Age Employment Gap rate – 12% – is double the rate of other counties in Alabama, per American Community Survey data analyzed by the Education Policy Center. Why aren’t they working? According to the report, persistent challenges, not laziness, typically stop people from finding regular work. The obstacles to returning to the workforce require wraparound services and funding for childcare, eldercare, transportation, and behavioral and mental health

care, researchers said during the briefing. Because of those obstacles, all the region’s counties surpass the federal government’s poverty threshold and meet the federal definitions of “persistent poverty” – meaning at least 20% of its population was in poverty for at least 30 years – and have been since 1960.

“From the 1956 Montgomery Bus Boycott to the Selma to Montgomery voting rights march in 1965, to now, we haven’t seen any movement,” said Stephen Katsinas, head of the Education Policy Center, at the press briefing. The 530,503 residents living in the Black Belt make

CONTINUED ON PAGE THREE

Alabama Success Stories

Young Leader in Tech Inspires Next Generation of STEM Professionals

BY HEATHER WHITE, ED.S., PRINCIPAL, NEW CENTURY TECHNOLOGY HIGH SCHOOL

Ella Duus, a determined and innovative New Century Technology High School (NCTHS) 2023 class graduate, embarked on an entrepreneurial journey that would set her apart from her peers. Fueled by her passion for technology and a desire to make a difference, Duus joined Datakata in 2019 after meeting founder Jonathan Rosswog at the NASA Space Apps Hackathon. She now serves as Chief of Operations.

Datakata began as a data analytics consultancy focused on turning customers' raw data into actionable insight. Datakata, LLC is now a Huntsville-based NASA contractor with experience in data analysis, on-prem solution development, machine learning, and natural language processing. In 2019, Datakata won a Sole Source Prime contract with Marshall Space Flight Center and the NASA Shared Services Center to apply machine learning to requirements engineering in a software product. The name Datakata comes from precisely what the company does: they "kata the data." The word kata originates from Japan, describing a disciplined system of actions or series of steps.

While in high school, Duus served as student body president, speech and debate captain, Model United Nations founder, and academic team captain. She is also a 2021 Rise Global Winner, National Merit Finalist, a Presidential Scholar, and participated in The U.S. Senate Youth Program. Inspired by the immense impact that Datakata had on her computer science career trajectory, Duus worked with Huntsville City Schools to establish work-based learning opportunities that allow interns to gain

work experience while pursuing personal passions. Datakata is hosting five interns from New Century Technology High School who have already created resume websites. They are currently working on a passion project to display on their website, all while getting work experience at Datakata.

Senior Emilia Accardi shared that as one of the interns at

Datakata, "It is an amazing place to work, and I appreciate the opportunity." Datakata's student team recently completed and deployed individual web applications that best represent the company for future applications and jobs while still being immersed in the company's primary purpose, industry solutions, and business intelligence.

With her unwavering dedication and entrepreneurial spirit, Duus is a shining example of how young individuals can turn their passions into profitable ventures.

New Century Technology High School is a top-rated, public, national certified magnet school located in Huntsville,

AL. The mission of New Century Technology High School is to immerse motivated, highly capable students in advanced studies and industry experience in the fields of computer science, engineering, and biomedical science as Huntsville's only STEM magnet high school.

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. ●



Ella Duus, COO of Datakata, LLC

POVERTY IN THE BLACK BELT — THE FULL STORY

continued from page two

up roughly 10% of the state's population. Nearly three-fourths of them are people of color and are predominantly Black, per the report. Nine out of the 10 Alabama counties with the largest difference in the Prime Age Employment Gap compared to the national rate are in the Black Belt, per the report. In three Black Belt counties – Monroe, Perry, and Wilcox – the Prime Age Employment Gap is at least four times higher than the statewide rate of 5%. The Black Belt's population counts 47.5% of single-parent households, more

than double the U.S. average and higher than Alabama's statewide average of 38%, per U.S. Census Bureau research analyzed by the Education Policy Center.

This matters because poor, single parents are often caught between two choices: go back to work and pay for childcare or stay home and survive with their family on government assistance. That also doesn't account for adults who are caretakers for elderly family members, as eldercare services can be even more expensive than childcare, said Sam

Addy, a senior research economist and the associate dean for economic development outreach at the University of Alabama.

"In the Black Belt, once a family has children, access to affordable childcare and medical benefits impacts the ability to keep working." Other obstacles face people who have been incarcerated, who are often barred from jobs because of their criminal records. "With such a drastic difference between the two Alabamas, the Black Belt is challenged to give second chances." ●



The RSA Staff wishes you a

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- February 14, 19-21, 26

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- December 10-18, 23-30 • January 1-5, 14-17, 20-23
- February 14-15, 18-20, 23-28

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

- December 1-5, 8-14, 17-21
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Grand Hotel RSA Golf Package (plus a 15% resort fee) \$209

- December 1-5, 8-14, 17-21
- January 2-9, 15, 20-24, 30-31
- February 4, 11-13, 18-22, 25

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- December 1-5, 8-14, 17-21
- January 2-9, 15, 20-24, 30-31
- February 4, 11-13, 18-22, 25

Marriott Shoals \$119

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- February 4-5, 11-13, 18-19

Marriott Shoals RSA Spa Package \$229

- December 3, 10, 17-23, 27-28
- January 2-7, 11, 14-18, 21-22
- February 4-5, 11-13, 15, 18-19, 25

Renaissance Ross Bridge \$129

- December 3-6, 10-21, 24-28
- January 1-4, 7-11, 14-15
- February 3-4, 7-8, 18-19

Renaissance Ross Bridge RSA Spa Package \$260

- December 3, 10-13, 17-20
- January 7-10, 14-15, 21, 28, 31 • February 4, 7

Auburn/Opelika Marriott Resort \$119 (plus a 10% resort fee) Web reservation will show \$144, including \$25 resort fee. Guest will only be charged RSA rate at checkout.

- December 3-6, 11-14, 18-30
- January 1-10, 14-18 • February 7-8, 11-15

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

- December 3-4, 6, 11, 13-14, 18, 20-23, 27-30
- January 3-8, 10-11, 14-15, 17-18, 28
- February 7-8, 11-12, 14-15

Prattville Marriott \$109

- December 3-4, 10-11, 17-21, 24-28
- January 1-4, 14-15, 21-22
- February 4-5, 21-22, 24-25

Renaissance Montgomery \$129

- December 10-11, 17-18, 24-28 • January 1-4, 7-8
- February 4-5, 16-17, 25-26

Renaissance Montgomery RSA Spa Package \$244

- December 26-28 • January 2-4 • February 16-17

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Rates available the 1st of the month and are not applicable to groups.

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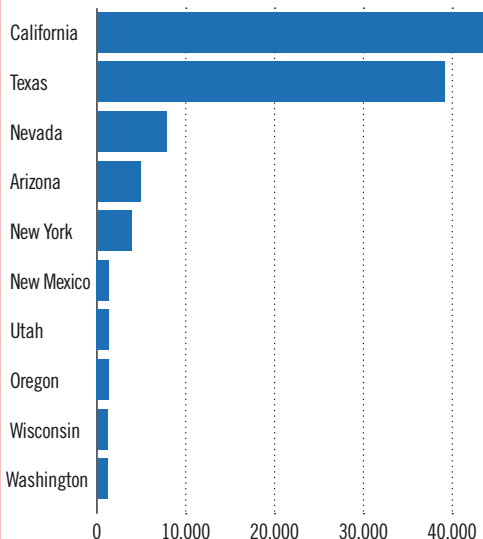
Battery Storage

Enel Solar Facility, Texas



Battery Storage at an Enel solar facility in Texas this month. In the state, which logged 10 demand records this summer, batteries helped avoid rolling blackouts one recent evening.

Operational and planned large-scale energy storage by state, in megawatts*



*Includes stand-alone and storage located at solar or wind facilities, but excludes pumped storage and projects with no available in-service year.

Source: S&P Global Market Intelligence

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