



RSA's Investment Performance

BEST YEAR EVER

BY MARC GREEN, DEPUTY DIRECTOR FOR INVESTMENTS

Total Portfolio	Annualized Investment Returns			
	1 Year	Last 3 Years	Last 5 Years	Last 10 Years
TRS	21.10%	6.00%	9.05%	8.00%
ERS	21.21%	5.97%	9.00%	8.07%
JRF	22.21%	6.05%	9.17%	8.07%

The fiscal year ending September 30, 2024, followed the lead of the prior year, with market returns up across the board in all our asset classes. Despite coming into the year with broad expectations that prior Federal Reserve rate hikes would slow the economy, the much-hyped soft landing versus hard landing scenario for the economy won out. Despite the continued inverted yield curve, a wealth of geopolitical concerns, and a presidential election year that proved to be anything but cordial, the economy stayed the course.

By the end of the fiscal year, corporate earnings as measured by the S&P 500 look to be up about 8% vs. 2023. The offset to this is that valuation levels are not as attractive currently because we did see a big jump in market multiples. A large part of the gains came from Price-Earnings expansion. The message here is that forward expectations are higher, which means that the bar to achieve the results needed to sustain the market move is

more difficult.

Looking at the **RSA's stock portfolio**, we have continued to pare back our over-weighting in large capitalization stocks. The past two years have seen an inordinate amount of returns coming from the megacap stocks. Much of that can be attributed to the large spend around Artificial Intelligence, as it has become the dominant theme in technology. We have benefited by our exposure over the past two years, but feel that maintaining the rapid growth experienced by the AI-centric companies will be hard to follow in the coming years. Thus, we have continued to ratchet down our exposure. We did see good breadth improvement as we moved deeper into the year, with both mid-and small-cap stocks posting returns north of 25%.

After bottoming out at around 10% of the fund in 2022, we have been moving **RSA's core fixed income portfolio** back towards the investment policy target of 15%. With yields moving higher, we like

the risk-adjusted opportunity in fixed income and will continue to add new money opportunistically. The direct real estate portfolio experienced nice growth from an income perspective, as travel and golf continue to be post-COVID beneficiaries. We did consummate the sale of the rail car facility in the Shoals area to a private equity firm, and they are looking to move some of their portfolio companies into the building over the coming quarters.

Our peer group ranking (State Street Public Funds Universe greater than \$1 billion) for last fiscal year was in the top 20th percentile on a dollar-weighted basis. The five-year rankings were slightly below the median, while the ten-year rankings were slightly above the median. As happened last year, the large underweighting in private market assets helped our relative returns. Private markets lagged again as higher interest rates and a dearth of merger and acquisition activity continued to weigh on their returns. ●



The 2025 Legislative Session: What's Coming?

BY NEAH M. SCOTT, LEGISLATIVE COUNSEL

The 2025 legislative session will begin on February 4, 2025. While it is too early to know what the major legis-

lative initiatives and priorities will be, early discussions regarding the budgets indicate that there will be more demand

than available revenue. With the end of the influx of federal monies (ARPA),

The 2025 Legislative Session: What's Coming?

continued from page one

potentially declining interest rates, and the implementation of recently passed tax cuts, revenues for the General Fund and the Education Trust Fund will not be as robust as they have been in years past. At the same time, there will be requests for increased funding from education, mental health, public safety, prisons, and more.

The employer contribution requests for retirement and public employee health insurance are also increasing for the next session. These increases are not to fund new or increased benefits, but to continue to ensure the RSA remains fiscally sound in

paying the promised retirement benefits to public retirees and continuing to provide healthcare benefits to public employees and retirees at the current rates.

It is important that you pay close attention this session and engage with your legislators to ensure these requests are funded. The RSA provides weekly legislative updates on its website at www.rsa-al.gov/about-rsa/legislation/. Additionally, make sure you stay engaged with your employee and retiree associations. These important associations are always there to advocate on your behalf and to ensure your benefits are protected! ●

Employee Contributions to Public Pension Plans

SOURCE: NATIONAL ASSOCIATION OF STATE RETIREMENT ADMINISTRATORS (NASRA)



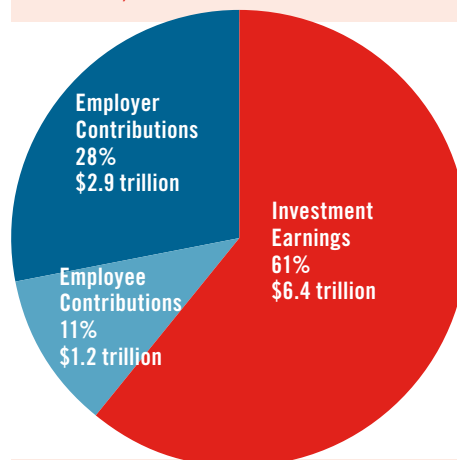
Nearly all employees of state and local government are required to share in the cost of their retirement benefit, a requirement that contrasts with pension plans in the private sector, whose participants do not contribute to their pension benefit. Employee contributions to public pensions typically are set as a percentage of salary either by statute or by the board that oversees the pension plan. By providing a consistent and predictable stream of revenue to public pension funds, contributions from employees fill a vital role in financing pension benefits. Reforms made in the wake of the 2008-09 market decline included higher employee contribution rates for many public pension plans. This issue brief examines employee contribution plan designs, policies, and recent trends.

MANDATORY PARTICIPATION & SHARED FINANCING

For nearly all employees of state and local government, participating in an employer-sponsored retirement plan and contributing toward its cost are mandatory terms of employment. For the significant majority of employees who participate in a pension plan, required contributions help distribute some of the responsibility for funding the plan. In plans with variable employee contribution rates, employees also assume a portion of one or more types of retirement plan risk. The primary types of risk in a retirement plan pertain to investment, longevity, and inflation.

The prevailing model for employees to contribute to their pension plan is for state

FIGURE 1: PUBLIC PENSION SOURCES OF REVENUE, 1994–2023



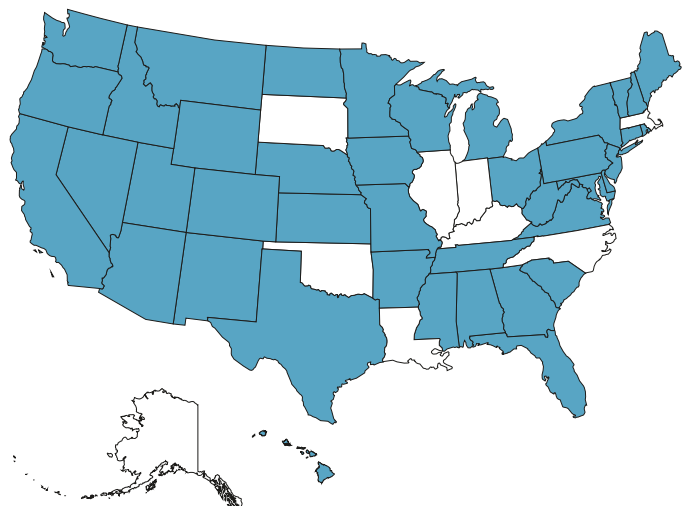
Source: Compiled by NASRA based on U.S. Census Bureau data

and local governments to withhold contributions as a deduction from employee pay each pay period. This amount in most cases is established as a percentage of an employee's salary. Employee contribution rates to pension benefits typically are between four and eight percent of pay and are outside these levels

for some plans. In some cases, required employee contributions are variable, i.e., subject to change depending on the actuarial condition of the plan, the fund's investment performance, or another factor. In some plans, the employee contribution is actually paid by the employer in lieu of a negotiated salary increase or other fiscal offset.

Some 25 to 30 percent of employees of state and local government do not participate in Social Security. By not participating in Social Security, these employees also do not contribute the 6.2 percent of their pay that Social Security participants do. In most cases for those outside of Social Security, the pension benefit and required employee contribution are greater than the typical benefit and contribution is for those who do participate in Social Security.... ●

FIGURE 2: STATES THAT INCREASED EMPLOYEE CONTRIBUTIONS IN AT LEAST ONE PUBLIC PENSION PLAN SINCE 2009



Alabama Success Story

Heart Gallery Alabama

heartgalleryalabama.com

The Heart Gallery Alabama (HGA) office reveals the organization's soul. Warm, friendly, upbeat, and dotted with heart accents, this feels like a place you want to be part of, but it might take a moment to realize why: it's the children. Their portraits are everywhere: boys and girls, young children and teenagers, smiling, thoughtful, or playfully hamming it up for the camera.

These photographs represent the mission of HGA – to connect youth in foster care with supportive adults who will provide the stability and guidance they need to thrive. Captured by volunteer professional photographers, these photos showcase the children's unique stories and spirits. Their images will appear in traveling exhibits throughout Alabama in locations such as museums, municipal buildings, libraries, and malls – hence the “gallery” in the name.

Michelle Bearman-Wolnek, who is an adoptive parent and a social worker, helped establish HGA in 2005 after learning about the Heart Gallery concept in *Parade* magazine. Her personal experience sparked an immediate passion for bringing this initiative to Alabama.

“Through no fault of their own, these kids lack the stability and unconditional love of a permanent family,” says Bearman-Wolnek. “I truly believe for every child and teen in foster care, there is a family out there. Our job is to make the connection by introducing them to the public.” At any given time, HGA is recruiting for around 100 kids in need of permanent, loving homes.

While adoption remains the goal,

HGA also works year-round with a dedicated team of volunteers to support these youth in other ways. The Hope from the Heart program utilizes volunteers who help celebrate birthdays and holidays. The S.O.A.R. mentor program (Supporting Opportunities to Achieve & Rise), in partnership with Big Brothers Big Sisters



of Central Alabama, matches youth with mentors who help provide guidance and stability.

Bearman-Wolnek explains the critical role of mentors, saying they fill a critical need, especially for youth at risk of aging out of care without strong adult connections. “It’s something most of us never have to think about,” she says. “Research shows these kids are at higher risk for unemployment, substance abuse, mental health issues, and even homelessness. Mentors can help fill the gap.”

In a new initiative this year, HGA introduced Heart Days – special events throughout the year where screened

families interested in adopting youth in foster care can interact with the kids in a relaxed setting. These gatherings feature activities designed to foster natural conversations and connections, potentially leading to mentoring relationships or adoption. One of the most popular events this year has been the Back-to-School Shopping Heart Day, in which each child, armed with a \$500 shopping allowance, was paired with a shopping buddy who led them through the mall to pick out back-to-school essentials (and a few luxuries, too).

What began almost 20 years ago as a volunteer-driven effort has evolved into a statewide organization transforming the lives of youth in foster care and their adoptive families. Communications and Marketing Manager Joycelyn Haywood shares the impact: “Since HGA’s inception in 2005, we’ve photographed over 2,000 children, with sixty percent finding adoptive homes. We’re thrilled to be a part of making that happen.”

For Bearman-Wolnek, each success story represents a changed life trajectory. “Nobody should go through this life without the unconditional love of a parent,” she says. “The power of knowing that you’re not alone and that you’re somewhere safe forever is immeasurable.”

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 communications@rsa-al.gov. ●

Alabama Tobacco Quitline

Smoking is the leading cause of preventable death and disease in Alabama. Reducing smoking is a proven way to help people live longer, healthier lives. Approximately 618,100 Alabamians currently use tobacco, with an estimated 63 percent desiring to quit. The Alabama Department of Public Health’s Tobacco Prevention and Control Program is pleased to share free resources to help you quit tobacco use.

The Alabama Tobacco Quitline offers free resources to any Alabama resident interested in quitting their tobacco habit. Services include free one-on-one coaching through telephone calls, texts, and online resources. Participants who enroll in the coaching program can receive, if medically eligible, up to eight weeks of free nicotine replacement therapy patches to assist in quitting.

According to the American Cancer Society’s Guide to

Quitting, the use of Quitline coaching and nicotine replacement medication, when used in combination, can more than double the chances of quitting. Because quit attempts are different for everyone, certified coaches are there for the entire quit duration to walk tobacco users through the process. Coaching sessions are accessible 7 days a week, from 6 a.m. to midnight, to encourage and support a successful quit. Sessions are easy to schedule and typically last 15 to 20 minutes.

We know quitting can be difficult, and we are here to help. Let the Quitline be a place to turn to for help and support. For more information, visit us at QUITNOWALABAMA.com, call 800.Quit.Now (800.748.8669), or text Quit to 205.900.2550 to enroll. ●



The RSA Staff wishes you a

Merry Christmas!



Member Hotel
Discounts Webpage

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

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

ENJOY YOUR WINTER A Special Deal FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel \$129

- December 1-4, 13-21, 26-28
- January 2-13, 19-24
- February 2-4, 8-10, 16-18, 23-25

The Battle House RSA Spa Package \$244

- December 2-4, 16-17 • January 6-8, 13, 20-22
- February 3-4, 10, 17-18, 24-25

Riverview Plaza \$119

- December 1-4, 16-21, 26-28
- January 2-13, 15-17
- February 2-4, 8-10, 16-18, 23-25

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

- December 11-12, 15-17 • January 5-8, 12-13
- February 2-3, 9-10, 23-24

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

- December 11-12, 15-17 • January 5-8, 12-13
- February 2-3, 9-10, 23-24

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

- December 11-12, 15-17 • January 5-8, 12-13
- February 2-3, 9-10, 23-24

Marriott Shoals \$119

- December 1-4, 8-11, 15-30
- January 1-12, 15-16, 19, 26-27
- February 2-3, 9-10, 16-17

Marriott Shoals RSA Spa Package \$229

- December 1, 8, 11, 15, 18-19, 22, 26, 29
- January 2, 5, 9-12, 15-16, 19, 26
- February 2, 9, 16, 20

Renaissance Ross Bridge \$129

- December 1, 4-5, 8, 10, 15-19, 22-31
- January 1-12 • February 2, 5, 8-9, 16-17, 27-28

Renaissance Ross Bridge RSA Spa Package \$260

- December 15-17 • January 8-9 • February 5, 27

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 1-2, 15-30 • January 1-6, 12-16
- February 2-4, 9-11, 17-19

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

- December 1-2, 15-16, 18-21, 27-30
- January 1-2, 5-6, 12-16 • February 2-3, 9-10, 17-19

Prattville Marriott \$109

- December 12-31 • January 6-12
- February 2-3, 9, 23-25

Renaissance Montgomery \$129

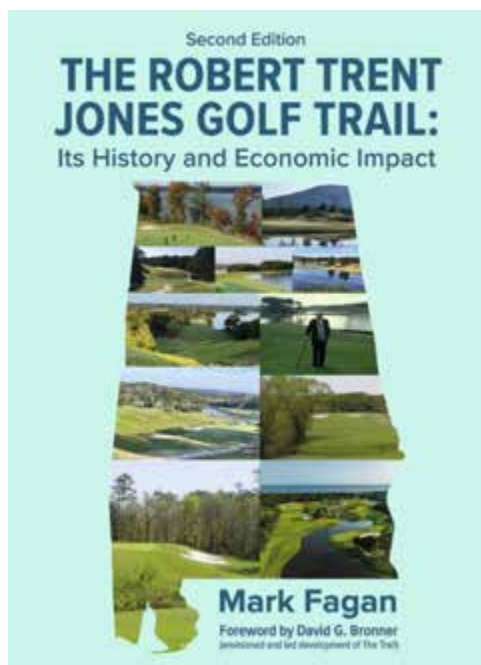
- December 15-18, 22-29 • January 1-9
- February 13-16, 21-23

Renaissance Montgomery RSA Spa Package \$244

- December 17-18, 24-28 • January 1-4, 7-9
- February 13-15, 21-22

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

Corporate/Promotional Code: R2A
on www.rsa-al.gov
Book Online and Save RSA \$4.



This new book of 395 pages is the comprehensive account on how this one-of-a-kind, state-wide investment was structured and has evolved. It preserves the history of this massive development for historians, economic developers, politicians, journalists, golfers, and the public. To purchase this book, visit <https://store.bookbaby.com/book/the-robert-trent-jones-golf-trail>.

WANT TO HELP?



A FREE CAR TAG

Call to request a tag at 334.517.7000
or 877.517.0020, or write:
Tag, P.O. Box 302150 | Montgomery, AL 36130-2150

FOLLOW US

@RSAALGOV



CEO

David G. Bronner

Deputy Director – Administration
Jo Moore

Deputy Director – Investments
Marc Green

Executives

Communications
Deborah J. Kirk

Chief Accountant & Financial Officer
Diane E. Scott

Employees' and Judicial Retirement
William F. Kelley, Jr.

Employer Services
Margaret B. Sellars

Field Services
Christopher C. Gallup

Information Technology Services
Michael T. Baker

General Counsel
Jared H. Morris

Legislative Counsel
Neah M. Scott

Member Services
Penny K. Wilson

PEEHIP

J. David Wales

RSA-1

Rhonda H. Peters

Teachers' Retirement
Valerie Y. Summers

The Retirement Systems of Alabama
201 South Union Street
P.O. Box 302150
Montgomery, Alabama 36130-2150
Phone: 334.517.7000
877.517.0020

RSA Website: www.rsa-al.gov