

Alabama Pensionomics 2023: Measuring the Economic Impact of DB Pension Expenditures

Source:  NATIONAL INSTITUTE ON
Retirement Security
Reliable Research. Sensible Solutions.

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alabama communities and the state economy. In 2020, 159,494 residents of Alabama received a total of \$3.7 billion in pension benefits from state and local pension plans.

The average pension benefit received was \$1,915 per month or \$22,974 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 2020, 25% of Alabama’s pension fund receipts came from employer contributions, 16% from employee contributions, and 59% 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 25,817 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 2020 Alabama’s unemployment rate was 6.5%. The fact that DB pension expenditures supported 25,817 jobs is significant, as it represents 1.1 percentage points in Alabama’s labor force.

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GREAT JOB!



Senator Richard Shelby (R) &
Representative Terri Sewell (D)

BY DAVID G. BRONNER

In the late 1980s and early 1990s, Alabama was fumbling along in its pursuit of solid economic development, working hard to attract major businesses to our state. Somehow, we changed like never before with a true “team effort” and recruited various industrial companies, from aerospace and automotive to technology and medicinal innovation.

Yet, in the last week of 2022, the Washington component of “the team” has fallen into disrepair with the passage of the 2023 federal government annual budget. **Only TWO of our nine elected delegation members stood up for the people of Alabama**, while the **others actually voted against our interests** in making Alabama a better place with the help of federal money.

For decades, I have often said what my father always pointed out to me when I would suggest a new idea: “Ideas without money remain ideas.” Our great, newly retired U.S. Senator Richard Shelby (R) and U.S. Congresswoman Representative Terri Sewell (D) understood that saying, whereas the rest of our Washington delegation were thinking too much about politics and not about the people back home in Alabama.

Senator Shelby’s budget brings \$666 million additional federal dollars to Alabama and will improve the lives of Alabamians from Mobile to Huntsville and everywhere in between. Representative Terri Sewell, who rightfully worries about the extreme poverty across the Black Belt in Central Alabama, secured \$42.8 million to help fix the 100 years of problems associated with extreme poverty.

With new elections coming in 2024, you might consider asking these six Alabama delegates (Mo Brooks is now gone, and the current member from the 5th District was not there until 2023) what they have done to improve the lives of Alabamians. Do not let them tell you, after voting against these projects, that these numerous projects are from their efforts! ●

Alabama's Taxes Per Capita Lower Than All But One Other State

BY MIKE CASON, AL.COM

Alabama collects fewer dollars in state and local taxes per capita than every other state but Tennessee, the Public Affairs Research Council of Alabama said in a new report.

State and local taxes in Alabama were \$3,756 per capita. Tennessee, at \$3,719, was the only state lower. That does not include revenue Tennessee collects from a state lottery, which would raise it above Alabama, the report notes....

You can read the summary and the full report on PARCA's website at parcalabama.org. PARCA is a nonprofit organization that works to inform and improve state and local government in Alabama through independent, nonpartisan research, according to the organization.

Nationally, the median state and local tax collections for states was \$5,210. The average in southeastern states was \$4,091.

Key points in the report include:

- Alabama's property taxes, restricted by the state Constitution, are the nation's lowest per capita.
- Alabama begins collecting state income taxes at the lowest income threshold in the nation.
- Alabama is one of only three states to fully tax groceries without an offset.
- Alabama is the only state to allow taxpayers to fully deduct from their state income tax liability the amount that they paid in federal taxes, which is most beneficial to higher earners.

Current circumstances do not necessarily show the consequences of Alabama's low level of per capita taxes, PARCA found. Billions in federal dollars that have flowed to Alabama for COVID-19 relief has helped drive the state's economy and fueled hefty increases in the amounts

available for state budgets....

The report finds that Alabama relies on high rates on selective taxes to avoid more broad-based tax increases. For example, Alabama ranks No. 3 nationally in per capita collections of taxes on alcoholic beverages and No. 6 in per capita collections on public utilities.

The report calculates the revenue advantage other states have over Alabama because of per capita tax collections. For example, if Alabama's per capita collections were the same as Mississippi's, Alabama would have an additional \$1.1 billion in revenue. At Florida's per capita level, Alabama would have an additional \$1.5 billion, and at Georgia's level, Alabama would have an additional \$1.6 billion. ●

RSA-1 Required Minimum Distributions (RMDs)

BY RHONDA H. PETERS, DIRECTOR OF RSA-1/PEIRAF

The SECURE 2.0 Act was signed into law on December 29, 2022, and changed the Required Beginning Date (RBD) for RMDs.

The Act **changed the RBD to age 73** instead of the previously required age of

72. This provision was effective January 1, 2023. Any participant who attains age 72 on or after January 1, 2023, is not required to begin receiving an RMD until age 73. Please note that if you are employed full-time, you are not required

to take your RMD.

You may contact the RSA-1 Benefits Division at 877.517.0020 or by email at rsa1info@rsa-al.gov with any questions concerning your 2023 RSA-1 RMD. ●

Alabama Pensionomics 2023

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ECONOMIC IMPACT

State and local pension funds in Alabama and other states paid a total of \$3.7 billion in benefits to Alabama residents in 2020. Retirees' expenditures from these benefits supported a total of \$3.9 billion in total economic output in the state, and \$2.2 billion in value added in the state.

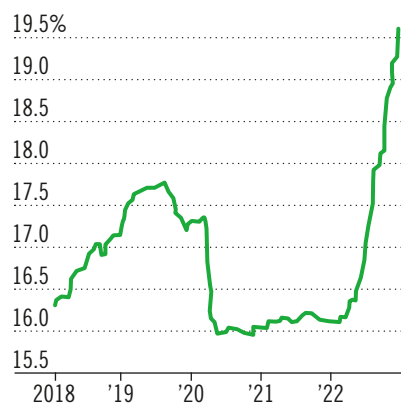
IMPACT ON TAX REVENUES

State and local pension payments made to Alabama residents supported a total of \$463.0 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$37.1 million. Taxes attributable to pension expenditures in the local economy accounted for \$425.9 million in tax revenue. ●

Federal Tax	\$158.7 million
State/Local Tax	\$304.3 million
Total	\$463 million

Avoid Credit Card Debt

National average credit card annual percentage rate



Source: CreditCards.com

Why Alabama Needs to Support Reentry 2030

BY CAM WARD, DIRECTOR OF THE ALABAMA BUREAU OF PARDONS AND PAROLES

Why should we care about recidivism and who reenters society after incarceration? Because 95% of everyone in prison will one day return to society. How do we want them to return to society? As safe, taxpaying citizens who can succeed in life. One of the most important ways we can help thousands of Alabamians after they have been incarcerated – while still maintaining public safety – is to ensure they have the support they need to successfully reenter their communities. There is a national, bipartisan effort underway, known as Reentry 2030, to promote smart recidivism reduction programs. We need to quit following other states and start leading the way in this effort.

For too long, Alabama’s reentry system has been inadequate. Too often, people leaving incarceration find little assistance once they are released – at a time when they need help the most. Having a criminal record prevents access to many services and opportunities, including housing, education, and employment. Those with mental health or substance use issues find it difficult to access treatment.

Yes, it is easy to say – well, they committed a crime, so who cares – but at some point, they will be back in society.

How do we promote public safety? This fragmented reentry system has great human and financial costs, including increased crime, families and communities torn apart, and taxpayers ultimately paying the bill. **Currently, 30% of everyone released from prison in Alabama commits a new crime, which places us 25th in the nation.** What if we could be smart in reducing that number through mental health, substance abuse programming, and job placement? **Current data shows we can drop that number from 30% to 8%.** That is crime reduction 101.

Alabama needs to be a leader in the national Reentry 2030 effort. This initiative seeks to achieve better and more equitable reentry outcomes by uniting leaders from all 50 states around a bold goal: Successful reintegration for every person by helping states design reentry systems to meet the needs of people and the barriers they face.

The initiative has identified three key strategies to accomplish this. First, we

need to increase access to education, skills training, behavioral health treatment, and stable housing for people with criminal records. Second, we must clear barriers to opportunities and economic mobility that are unnecessary for public safety. Millions of individuals and their families are deemed ineligible or denied employment and education due to a criminal conviction. Lastly, we need to advance racial equity by reducing disparities in reintegration outcomes, including tracking housing, employment, and other measures to ensure that we are eliminating these disparities.

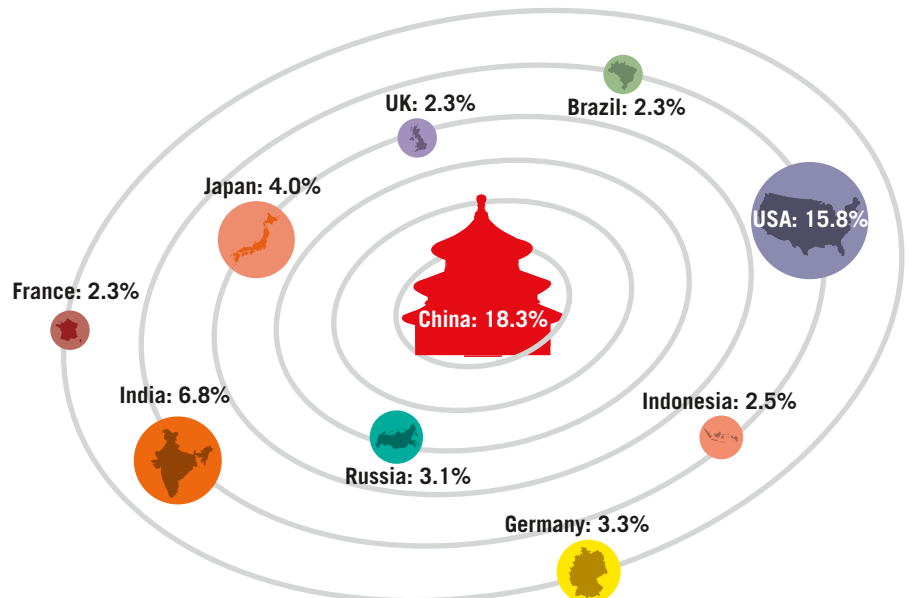
Over the last few years, the Alabama Bureau of Pardons and Paroles has opened and operated 11 Day Reporting Centers (DRCs) across the state and opened the largest reentry center in the state, located in Perry County. We have a long way to go in Alabama, but if we can continue to focus on providing mental health, substance abuse programming, and job training, then we have a road map forward to improving public safety in our state. ●

ERS Board Members Sworn in at December Meeting

ERS Board of Control Vice Chair James Fibbe administers the Oath of Office to Ricky Harcrow and David Harer. ●



Percentage of Global Gross Domestic Production (PPP, IntI\$), 2020



Source: World Bank

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



Member Hotel
Discounts Webpage

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

ENJOY YOUR WINTER/SPRING A Special Deal FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel \$129

- February 5-6, 22-28 • March 3-7, 12-21, 26-31
- April 1, 5-13, 16-18, 23, 30

The Battle House RSA Spa Package \$244

- February 6, 22, 27-28 • March 6-7, 13-15, 27-29
- April 5, 17-18

Riverview Plaza \$119

- February 5-6, 9, 12, 22-28 • March 5-8, 17-21, 26-27
- April 1, 5-7, 8-9, 23, 26-27, 30

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

- February 1-2, 5-9, 12-15, 19-23, 28
- March 1-2, 5, 15-16 • April 9-10, 16-18, 23

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

- February 1-2, 5-9, 12-15, 19-23, 28
- March 1-2, 5, 15-16 • April 9-10, 16-18, 23

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

- February 1-2, 7-9, 14-15, 21-23, 28
- March 1-2, 15-16 • April N/A

Marriott Shoals \$119

- February 5-6, 12, 19-20 • March 5-6, 12, 19, 26
- April 2, 9-10, 16, 30

Marriott Shoals RSA Spa Package \$229

- February 5-6, 12, 19-20 • March 5-6, 12, 19, 26
- April 2, 9-10, 16, 30

Renaissance Ross Bridge \$129

- February 1-2, 5-6, 12-15, 18-21, 25
- March 2, 5, 8-9, 12-16, 19-22, 26
- April 2-3, 6, 9, 16, 30

Renaissance Ross Bridge RSA Spa Package \$260

- February N/A due to Renovation
- March 2, 12-13, 26 • April 9

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

- February 5-7, 12, 19-21 • March 12-14, 26-27
- April 2-3, 9-10, 16

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

- February 5, 12, 19 • March 12, 26, 29
- April 2, 9, 16

Prattville Marriott \$99

- February 2, 5, 12, 19-20 • March 16, 19-20, 26-27
- April 2, 8-9, 16, 30

Renaissance Montgomery \$129

- February 2, 12, 19, 26 • March 5, 12-13, 26, 30
- April 7-10, 20

Renaissance Montgomery RSA Spa Package \$244

- February 2 • March 30 • April 7-8, 20

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.

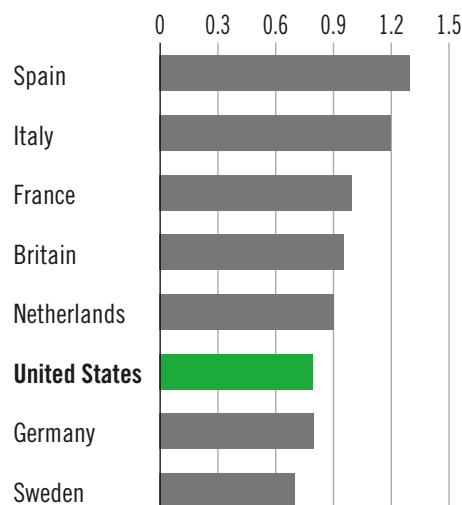


Beware Making Hotel Reservations

Using online travel agencies like Expedia, Priceline, et al., have their own rules. For example, the cheapest price may require 30-day notice on cancellations. We encourage you to book online with the RSA at rsa-al.gov/real-estate/pch-hotels-resorts/member-discounts and save \$4.00

Police Need Greater Funding

Spending on police as % of GDP, 2020



Source: BEA; Census Bureau; Eurostat; OMB; ONS



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