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SERVING OVER 390,000 MEMBERS

January 2024

Cutting Taxes

BY DAVID G. BRONNER

Blue and red states across America, including Alabama, have cut taxes more than any other time in a generation. Let's be honest, no one likes to pay taxes, and we all love paying less, but what happens next?

Most states collected more revenue than was budgeted because of federal grants to state and local governments that reached \$1.2 trillion in 2022, about 70% more than in 2019! In addition, inflation has flatlined now in most consumer areas of the economy. Many states justified tax cuts due to high inflation, although the Senior Advisor for State Tax Policy at the Center on Budget and Policy Priorities has stated, "The real risk for states is that they're being a bit penny wise, pound foolish, by thinking that they can afford a tax cut in the short term because of those surpluses."

Many states continue to make regressive tax changes that benefit the wealthiest taxpayers and ignore the rest of their citizens. Thankfully, Alabama did not do that. Instead, Alabama cut the state portion of the regressive grocery tax. Yet, we created another problem because we did not replace the grocery tax cut with a progressive tax, which is needed because Alabama has one of the lowest state tax collections in America. We do not want excessive taxes, yet we cannot compete in this highly competitive world, much less with other states, if total state tax collections make you uncompetitive. As I have said for decades, "Low taxes are good, but having the lowest taxes is just dumb."

The Public Affairs Research Council of Alabama's 2023 report (parcalabama.org/how-alabama-taxes-compare-2023/) shows Alabama collected \$4,237 per

resident in tax collections, \$481 more than the year prior. Nationally, the median value was \$5,385 per capita, \$1,148 more per person than Alabama. The average per capita total in the Southeast was \$4,556, \$319 per person higher than Alabama. Mississippi collects \$204 more per capita than Alabama. Only Alaska collected fewer dollars per capita than Alabama over this review period.

"Most state and local tax revenue can be grouped into one of three categories: property taxes, sales taxes, and income taxes," said Ryan Hankins, the executive director of the Public Affairs Research Council of Alabama. "Ideally, the state would draw an equal amount from these sources, but that is not true in Alabama.

Alabama has the country's lowest per capita property tax collections; it starts taxing income earlier than every other state; and it has among the highest sales tax rates in the U.S. This means the state's poorest residents shoulder a higher tax burden than their wealthy counterparts."

Alabama is in fine financial shape for 2024, but our problems will reappear quickly, starting with the upcoming legislative session, with a flat projected revenue forecast and growing needs in education and state services. This will be followed by serious problems for Alabama in 2026 and beyond, with the federal giveaways ending, along with growing problems in immigration, climate, and numerous social issues. ●

The Retirement Systems of Alabama

Statement of Changes in Fiduciary Net Position – Unaudited
For the Twelve Months Ended September 30, 2023

	Total RSA In Billions	TRS	ERS In Millions	JRF
ADDITIONS				
Contributions				
Employee		\$588	\$328	\$5
Employer		1,008	593	21
Transfers In		9	7	-
Marketing & Advertising Revenue		1	-	-
Total Contributions	\$2.56	1,606	928	26
Investment Income				
Total Net Investment Income	5.03	3,335	1,654	43
Total Additions		4,941	2,582	69
DEDUCTIONS				
Retirement Allowance Payments		2,567	1,367	42
Return of Contributions and Death Benefits		65	55	-
Transfers Out		7	9	-
Administrative Expenses		26	13	1
Depreciation		9	4	-
Total Deductions	4.17	2,674	1,448	43
Net Increase	3.43	2,267	1,134	26
Net Position Restricted for Pension Benefits				
Beginning of Year	38.9	25,581	12,999	298
End of Year	\$42.30	\$27,848	\$14,133	\$324

Coming Soon – a Roth Account Option! RSA-1 Deferred Compensation Plan

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

The RSA-1 Deferred Compensation Plan is excited to announce the offer of a Roth account option coming in early 2024. In addition to the existing pre-tax retirement account offered by RSA-1, you will have the option to open an after-tax retirement account, known as a Roth account, to assist you in reaching your financial retirement goals.

A Roth account differs from the existing account offered by RSA-1. With a Roth account, the member's contributions are taxed at the member's tax rate when contributed but withdrawal of the money, known as qualified distributions, are not taxed.

Essentially, the use of a Roth account avoids taxation of your investment earnings. Moreover, unlike the existing account offered by RSA-1, a Roth account does not require any type of minimum distribution for the member in retirement.

A Roth account is particularly advantageous for members who are early in their careers and will be taxed at the same or a higher tax rate at the time of separation of service from employment and upon beginning qualified distributions. Below is a comparison of the two accounts illustrating these two scenarios:

Contributions While Employed

At a 12% Tax Bracket	RSA-1 Traditional Account	RSA-1 Roth Account
Contributions Per Year	\$6,000	\$6,000
Estimated Tax Liability at Time of Contribution	\$ 0	\$ 720

Withdrawals at Retirement

At a 12% Incremental Tax Bracket		
Value of Account (Including Investment Income)	\$50,000	\$50,000
Estimated Tax Liability	\$ 6,000	\$ 0

Estimated Tax Savings with an RSA-1 Roth Account = \$5,280

At a 22% Incremental Tax Bracket		
Value of Account (Including Investment Income)	\$50,000	\$50,000
Estimated Tax Liability	\$11,000	\$ 0

Estimated Tax Savings with an RSA-1 Roth Account = \$10,280

Members can contribute to both the new Roth account and the pre-tax retirement account already offered by RSA-1. The maximum annual contribution limit for 2024 is \$23,000 (members under age 50) and \$30,500 (members 50 and older) in total for **both** accounts.

A member may convert all or a portion of their current existing RSA-1 account to a Roth account by requesting an in-plan Roth conversion. It is important to note that an in-plan Roth conversion will result in taxable income to the member in the year the conversion is made. Such a conversion can be beneficial

to the member because the withdrawals will not be taxed. RSA-1 advises you to consult with your tax advisor before making such a conversion to ensure that such a conversion is advantageous for you.

Saving is and has always been the goal for a rewarding and prosperous retirement! Now, you have an additional option to save with the Roth account. If you have any questions about the Roth account, please contact RSA-1 at 877.517.0020, and we will be happy to assist you. ●

TRS Board Member Sworn in at December Meeting

TRS Board of Control Chair Luke Hallmark administers the Oath of Office to Anita Gibson. ●



ERS Board Members Sworn in at December Meeting

ERS Board of Control Vice Chair Pro Tempore David Harer administers the Oath of Office to Lisa Statum, Laury Morgan, Vice Chair Jim Fibbe, and Lindsey Ward. ●



Alabama Success Stories

Honda Partners with Harbert College of Business for Executive Education

BY TROY TURNER, FREELANCE WRITER FOR AUBURN UNIVERSITY'S HARBERT COLLEGE OF BUSINESS

Honda's automobile manufacturing plant in Talladega County covers almost 5 million square feet on a site of 1,350 acres, employs more than 4,500 people, and represents a \$3 billion capital investment in Alabama's economy.

It requires many levels of good leadership to make such a sizable operation run smoothly. Experts at Auburn University's Harbert College of Business have adapted an existing program they feel can help, and after submitting a proposal to Honda, the two have expanded an existing partnership with Auburn that combines business expertise with engineering and technical mentorship.

"We're very excited to be here, and I'm personally excited to be back in Auburn," said Honda leadership team member and Auburn alumnus Marty Cash during the program's opening session August 25 at Auburn's Horton-Hardgrave Hall.

The 16 participants from this cohort will convene on the Auburn campus for six day-long sessions over the course of the next two semesters for dual instruction in leadership and team dynamics to guide people toward success.

Members of this cohort completing all coursework will earn an iLEAD (Integrating Leadership Essentials through Applied Development) certificate from Harbert College. The leadership training is in addition to their efforts to earn a graduate certificate in Industrial and Systems Engineering (ISE) from Auburn's Samuel Ginn College of Engineering.

Jim Parrish, Harbert's executive director of Full Time and Online Graduate and International Programs, explained how the engineering and business colleges worked together to help boost the university's partnership with Honda.

"The ISE certificate and the iLEAD program are stand-alone experiences," Parrish said. "Our College of Engineering partners reached out to see if our iLEAD program could be developed for the associates from Honda."

Parrish added: "We have conducted similar leadership experiences through our partnership with Radiance Technologies. Our relationship with [Ginn College of Engineering] and their familiarity of our programs was truly paramount in connecting with Honda."

The combination of Auburn's leadership training with engineering and technical training is an attractive concept for Honda, one of its senior officials said in an earlier announcement of the partnership.

"Developing technical skills and capabilities is a top priority for our associates, and Honda's decision to participate in this educational program stems from our commitment to our associates to foster professional development opportunities," said Stephen Woodry, quality leader for the Alabama Honda facility. "Our industry is changing, and the skills and requirements to build high-tech vehicles is also changing with the shift to electrification, alternative fuels, and automated vehicles."

Harbert, meanwhile, hopes that the Honda partnership also will create additional interest from other corporate partners seeking to share a similar leadership development experience, Parrish said.

"There are many facets of iLEAD that are applicable to every organization," he said.

Parrish's message to other companies who might consider a similar proposal?

"Connecting other leaders and investing in their growth is always going to be in style," he said. "While the iLEAD program will connect participants to talented Harbert faculty and staff, the learning within the cohort is where the true power is."

For industry leaders who are looking for ways to develop their teams, Parrish would love to have a conversation around meeting their needs.

For more information about Auburn University's iLEAD program, contact Jim Parrish jim@auburn.edu; about Harbert College of Business, <https://harbert.auburn.edu>; or Sam Ginn College of Engineering, <https://eng.auburn.edu>.

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. ●



Honda employees participating in the iLEAD leadership certificate program through the Harbert College of Business.

Candidates Sought for ERS Board Special Election

Candidates are now being sought for the Active State Employee Position, No. 2 on the Employees' Retirement System (ERS) Board of Control. Current Board Member Lindsey Ward has accepted a new job position and, as a result, will no longer be eligible to serve on the ERS Board.

Nominees must be active vested members of the ERS by virtue of employment with a state agency. This position is for

the remainder of a four-year term, which will begin immediately at the conclusion of the special election and will end on September 30, 2027.

Nomination packets are available at www.rsa-al.gov or by contacting the Elections Coordinator at 334.517.7192 or 877.517.0020. The completed packets must be returned to the ERS office by 4:00 p.m., January 29, 2024. ●

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- February 14-26 • March 1-5, 10-12, 17-19, 24-31

The Battle House RSA Spa Package \$244

- January 2-3, 15, 22-24 • February 14, 19-21, 26
- March 4-5, 11-12, 18-19, 25-27

Riverview Plaza \$119

- January 1-5, 14-17, 20-23
- February 14-15, 18-20, 23-28
- March 3-5, 10-12, 20-21, 24-28, 30-31

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

- January 1-9, 12-14, 20-24, 30-31
- February 2-4, 11-13, 18-22, 25-26
- March 6-7, 24-27

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

- January 1-9, 12-14, 20-24, 30-31
- February 2-4, 11-13, 18-22, 25-26
- March 6-7, 24-27

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

- January 1-9, 12-14, 20-24, 30-31
- February 2-4, 11-13, 18-22, 25-26
- March 6-7, 24-27

Marriott Shoals \$119

- January 1-7, 14-18, 21-22
- February 4-5, 11-13, 18-19
- March 3-5, 17-18, 24-26

Marriott Shoals RSA Spa Package \$229

- January 2-7, 11, 14-18, 21-22
- February 4-5, 11-13, 15, 18-19, 25
- March 3-5, 17-18, 24-26

Renaissance Ross Bridge \$129

- January 1-4, 7-11, 14-15 • February 3-4, 7-8, 18-19
- March 6-7, 13-14, 27-28

Renaissance Ross Bridge RSA Spa Package \$260

- January 7-10, 14-15, 21, 28, 31 • February 4, 7
- March 3-4, 18-19

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.

- January 1-10, 14-18 • February 7-8, 11-15, 25-27
- March 3-6, 10-14

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

- January 3-8, 10-11, 14-15, 17-18, 28
- February 7-8, 11-12, 14-15
- March 3-4, 6, 10-11, 13-14

Prattville Marriott \$109

- January 1-4, 15-16, 20-21
- February 14-15, 21-22, 24-25
- March 10-11, 24-25, 30-31

Renaissance Montgomery \$129

- January 1-4, 7-8 • February 4-5, 16-17, 25-26
- March 24-28, 30-31

Renaissance Montgomery RSA Spa Package \$244

- January 2-4 • February N/A • March 26-28, 30

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

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Make Your Vote Count! TRS Board of Control Election Information

Ballots for the Teachers' Retirement System (TRS) Board of Control regular election will be mailed by January 3, 2024, and must be returned to YesElec-tions no later than 4:00 p.m., February 15, 2024. This election is for Teacher Position, No. 3, held by Mary Beth Tate. The elected member will begin their three-year term of service on July 1, 2024.

Elected members to the TRS/PEEHIP Board will only be elected by members from the same category of the retirement system. To be eligible to vote for Teacher Position, No. 3, you must be an active member of the TRS who actively instructs students in grades K-12.

Eligible members can vote by mail, phone, or the internet. Instructions will be included with the paper ballot. More information about the candidates can be found at www.rsa-al.gov.

By submitting your vote, you are confirming that you are eligible to vote for the position based on your classification. If your classification is incorrect, please contact the Elections Coordinator at 334.517.7192 or 877.517.0020. ●



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