When the Stock Market Goes Down, What Happens to My Pension? Defined Benefit Plan vs. 401(k)

BY JO MOORE, DEPUTY DIRECTOR FOR ADMINISTRATION

Nothing…**Your pension benefit remains the same!** Your benefit is calculated based on your final average salary, years of service, and a multiplier established by state law. Once your pension amount is determined, it doesn't change based on what's happening in the market. Whether the stock market is having a stellar year or experiencing turbulence, your pension benefit remains stable and predictable. This is one of the key strengths of a defined benefit plan: It offers peace of mind and financial security, regardless of market conditions. This is why we fight to protect your pension! ●

2025 Legislative Session Concludes

BY NEAH M. SCOTT, LEGISLATIVE COUNSEL

The 2025 Regular Legislative Session concluded on May 14, 2025. The Legislature fully funded the requested employer contribution rates for the TRS, ERS, and PEEHIP. Notably, the funding for PEEHIP included a significant increase of approximately $124 million. This additional funding was essential to maintaining current healthcare benefits for PEEHIP members without any increase in out-of-pocket costs.

The Legislature passed Act 2025-336, which establishes a formal process for granting and funding retiree benefit increases. Under this new law, the Legislature can grant a retiree benefit increase, BUT it must be accompanied by a corresponding increase in the employer contribution rate to fund it. If funding is not provided in a given year, the RSA cannot pay the increase for that year. The Act further stipulates that such benefit increases may be granted only once per legislative quadrennium (every four years). This legislation will take effect on October 1, 2026. The Alabama Retired State Employees' Association (ARSEA) played a pivotal role in advocating for and securing the passage. For additional information, please reach out to ARSEA.

Overall, the 2025 session was very successful for the RSA and PEEHIP. Funding requests were fulfilled, and no harmful legislation was passed or introduced. Please be sure to thank your legislators and Governor Ivey for everything they have done to ensure your pension and healthcare benefits are well-funded and protected!

Check out RSA's legislative webpage for the final bill tracking chart, which includes links to the enacted legislation at rsa-al.gov/about-rsa/legislation/. ●

WOW! Alabama's $60 Billion Question

BY JOE ADAMS, PARCA

Alabama relies on federal spending – **Alabama residents do, too.** Alabama residents receive over $60 billion from the federal government – 23% of all personal income. . . .

These payments, known as transfer payments, include Social Security, Medicare, Medicaid, veteran's benefits, unemployment, Pell Grants, and others.* The report explains how an aging population and shrinking economic opportunities have shifted many communities into reliance on these transfer payments.

To put the $60 billion in perspective, Alabama's four automakers generate $6.4 billion in total compensation, according to a report from Autos Drive America and the American International Automobile Dealers Association, as reported by al.com. That's about one-tenth of the amount received from federal transfer payments.

In other words, a 10% reduction in these payments would have a similar economic effect on personal income as shuttering Alabama's entire auto industry.

The impact is more pronounced in rural areas. The EIG report notes, "The transfer share of total personal income

A Brief History of ITS at the RSA

BY MICHAEL T. BAKER, DIRECTOR OF ITS

The RSA Information Technology Services (ITS) division has changed dramatically over the last 50 years. The ITS system and services we can provide today were built on the foundation created over the years by many smart, creative, and innovative current and former ITS employees.

As the RSA membership grew, the volume of paper documents increased rapidly. It became apparent that these documents needed to be preserved but still be accessible. In the early 1970s, these paper documents were converted to microfiche records. All new incoming documents were also converted to microfiche records. This ensured we had backup copies of these documents and allowed the RSA staff to view them using a microfiche reader.

In the late 1970s, Gerald Hamann joined the RSA. Most benefit processes (e.g., benefit calculations/estimates, refunds, member data maintenance) were performed manually at that time. Hamann and his staff of computer programmers and analysts embarked on a multi-year project writing a computerized online system in COBOL. This online system allowed RSA staff members to use "dumb terminals" (simply a screen and a keyboard) to perform their daily work from their desks more quickly and efficiently. Member data kept in bound ledgers or other paper forms was extracted and stored in electronic data files used by the new online system. At the time, it was state-of-the-art. Other pension systems asked to see a demonstration, and some developed their own system using the RSA as a model. A similar system was written for the RSA-1 deferred compensation plan a few years later.

In the mid-1990s, we implemented an imaging system to replace the microfiche process. All the microfiche records were converted to digital electronic documents. The imaging system gave the benefit divisions quick access to these images while providing tools to track contact with RSA members and employers.

For those who can remember, Y2K (or the Year 2000) rolled around, and we were affected just like the rest of the world using computerized systems and date fields. In the late 1990s, we embarked on a project to remediate all our computer programs to increase the year date field from two digits to four digits. At this time, we also worked to consolidate all RSA member demographic data into a single database – the start of the RSA using a database rather than simple electronic data files. Around this same time, we created and published the first RSA website, which was primarily used to share information and documentation related to the RSA.

Over the years, improvements were made to the RSA website, and changes were made to the existing computer system due to legislation or requests from the benefit divisions. Although we had used some newer technologies and programming languages to develop applications for DROP and PEEHIP, the age of our computer system was showing, and a system modernization project was started in 2015 to replace the old COBOL system and imaging system. Along with this project, Member Online Services (MOS) was introduced, allowing members to access more of their data, make changes, generate retirement estimates, etc. Also, an Employer Self Service (ESS) portal was made available to RSA employers, allowing them to maintain employee status and data, submit retirement, RSA-1 contributions, and PEEHIP premiums, and generate employee reports. Most recently, the RSA-1 system underwent a similar overhaul, and additional functionality for RSA-1 was added to MOS and ESS.

Cybersecurity has become critically important to everyone, including the RSA. Multiple layers of security hardware and software systems have been implemented to provide a secure environment to maintain the security of membership data. One example of this is Multi-factor Authentication when logging into MOS or ESS.

The RSA ITS has come a long way since the introduction of microfiche. The newer technologies that are being used allow RSA staff, employers, and members to access and maintain member data in a safe and secure environment. With the advent of artificial intelligence (AI), we must be even more diligent in evaluating and monitoring its use. For now, the RSA ITS staff will continue to work hard to provide the best service we can to RSA staff, employers, and members. ●

WOW! Alabama's $60 Billion Question

tends to run much higher in rural areas than in large population centers." Looking at Alabama, this appears to be a consistent pattern, with most urban counties with low income from federal transfers and rural counties with higher percentages of income from federal transfers.

These trends evolved over decades, having a widespread economic impact that has grown steadily as the population ages.

Meanwhile, these programs are under increasing scrutiny in the current administration. Reducing them would have a profound impact on local communities….

For details on the calculation of personal income and transfer payments, see this post on Github: https://github.com/EIG-Research/EIG-Great-Transfer-Mation.

(*RSA editor's note: The House in Congress agreed to CUT food stamps, green energy, along with $700+ billion from Medicaid (a program mainly benefiting children and women) to primarily fund the $880 billion tax cut for the super-rich and increase the deficit by $4 to $5 trillion. The bill now moves to the U.S. Senate.*) ●

Alabama Success Story
North Alabama Human Trafficking Task Force

Human trafficking is using force, fraud, or coercion to obtain labor or commercial sex acts against a person's will. It is the second-largest criminal activity in the world, as well as the fastest-growing. It generates $236 billion annually in illegal profits. A worldwide epidemic, human trafficking happens anywhere there are people.

The North Alabama Human Trafficking Task Force began as part of a domestic violence subcommittee at another nonprofit, Crisis Services of North Alabama. Pat McCay, who chaired that subcommittee, has also chaired the North Alabama Human Trafficking Task Force since it became an independent organization on February 29, 2012.

Operating as a 501(c)(3) nonprofit since 2020, the North Alabama Trafficking Task Force raises public awareness, educates the community, and advocates to effect change in local, regional, and state policies. The task force works with service providers, law enforcement, and other agencies and coalitions across northern Alabama and the state to prevent human trafficking.

"When I learned the realities of human trafficking, I couldn't look away and I definitely couldn't do nothing," McCay says. That drive is common to the board and regular members, many of whom joined after seeing a North Alabama Human Trafficking Task Force presentation. Members of the task force's speakers' bureau generally present for 30 minutes to an hour, introducing human trafficking, how to recognize it in the community, and how to keep children and other potential victims safe. The task force also strives to present solid, researched information and dispel common myths.

The task force works with other organizations, such as the Junior League, on awareness initiatives like placing signs in bus stations and airports. The task force also works with law enforcement agencies, including the FBI, to prepare hope bags containing personal care items for recovered human trafficking victims.

The North Alabama Human Trafficking Task Force works on common initiatives with the Alabama Human Trafficking Task Force, which McCay also chairs. Foremost among these is the Alabama Human Trafficking Summit, held each January in Montgomery. The Summit is an excellent training and networking opportunity, bringing together dedicated professionals working to counter the human trafficking epidemic. These professionals include social workers, law enforcement officers, medical professionals, and rescue and rehabilitation organizations.

The task force believes that though we are unlikely to see the end of this war in our lifetimes, that does not excuse us from fighting it. Moreover, at this terribly divisive time in history, anti-human trafficking efforts should be apolitical. We should all be united in this resistance. To learn more about the North Alabama Human Trafficking Task Force, visit https://stnow.org/.

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. ●

Your Litter is Costing You!

SOURCE: *ALREPORTER.COM*

The Alabama Department of Transportation continues to spend more each year on litter removal, diverting funds from critical road improvement projects. In 2024, ALDOT spent more than $9.4 million statewide cleaning up trash along Alabama's roadways – a $500,000 increase from the nearly $9 million spent in 2023. In 2022, the cost was $7 million. "ALDOT's mission is to maintain and improve roads, not trash collection," the ALDOT said in a statement. "However, the increasing amount of litter can be a road safety issue, so ALDOT employees spend a significant amount of time picking up litter."

ALDOT not only relies on its employees, but also contracts with private companies to remove trash from interstates and state roads and coordinates with volunteers through the Adopt-A-Mile program.

Despite those efforts, the cost continues to rise. Here's how much each ALDOT region spent on litter cleanup in 2024:

- **North:** $1,463,734.90
- **East Central:** $3,452,878.94
- **West Central:** $1,353,735.45
- **Southeast:** $1,745,491.60
- **Southwest:** $1,465,322.39

"If people were to stop littering, ALDOT could use those funds for much-needed road projects, such as improving intersections to reduce crashes, road resurfacing for smoother, safer driving conditions, installing guardrails and safety barriers to prevent serious incidents, and building sidewalks and crosswalks to protect pedestrians," ALDOT said.

Littering isn't just illegal – it wastes taxpayer dollars that could be better spent on safety and infrastructure. ALDOT stressed that keeping Alabama's roads clean is a shared responsibility. ALDOT encourages all Alabamians to help by organizing litter cleanup activities in their local communities. Whether it's picking up litter in a park or simply disposing of litter, everyone can play a part. ●

RETIREMENT SYSTEMS OF ALABAMA
201 SOUTH UNION STREET
P.O. BOX 302150
MONTGOMERY, ALABAMA 36130-2150

Member Hotel Discounts Webpage

TRS Board of Control Runoff Election Results

Congratulations to Peggy Mobley on her reelection to Retired Position, No. 2! Her three-year term will begin July 1, 2025. Complete runoff election results are available at www.rsa-al.gov/trs/board-of-control/trs-board-elections/. ●

Make Your Vote Count! ERS Board of Control Election Information

Regular election ballots for the Active or Retired Local Employee Position will be mailed by June 3, 2025, and must be returned to YesElections no later than 4:00 p.m., July 15, 2025. The elected member will begin their four-year term of service on October 1, 2025.

To be eligible to vote for the Active or Retired Local Employee Position, you must be a full-time employee or retired employee of an entity participating in the ERS pursuant to *Ala. Code §36-27-6* (i.e., city, county, utility agencies). 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/ers/board-of-control/ers-board-elections/.

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. ●

The ADVISOR