



Governor Ivey's Budget Fully Funds TRS, ERS, and PEEHIP

BY JO MOORE, DEPUTY DIRECTOR FOR ADMINISTRATION

Finance Director Bill Poole presented Governor Ivey's budget on February 5 at the 2025 Legislative Budget Hearings, which included fully funding TRS, ERS, and PEEHIP. The governor and the Legislature have consistently fully funded TRS and ERS, which protects your pension benefit and ensures the health of your pension system. We are appreciative of Governor Ivey's continued support.

As mentioned in previous *Advisor* articles, PEEHIP is requesting a large

increase in the employer contribution, approximately \$124 million, to address funding shortfalls due to federal changes for Medicare Advantage Plans, which provide health insurance for PEEHIP Medicare-eligible retirees. Governor Ivey's budget includes fully funding PEEHIP with this requested increase. As Finance Director Poole noted in his presentation, PEEHIP has been flat-funded for nine years, and "enormous credit goes to PEEHIP and its board and management

for maintaining that [flat funding] level for many years." We appreciate Governor Ivey's and Finance Director Poole's support of PEEHIP.

WE ARE OFF TO A GOOD START, BUT THE WORK IS NOT DONE. Please continue to remind your legislators of the importance of fully funding TRS, ERS, and PEEHIP and urge them to adopt Governor Ivey's recommendation regarding **YOUR** pension and health insurance benefits. ●

ALABAMA

Pensionomics 2025:

Measuring the Economic Impact of DB Pension Expenditures



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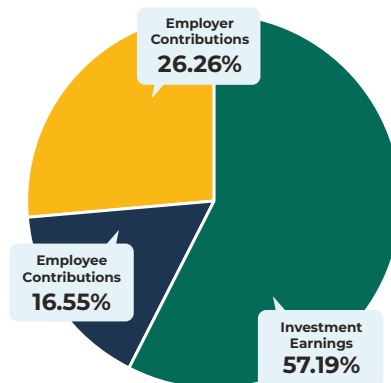
OVERVIEW

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alabama communities and the state economy. In 2022, 173,865 residents of Alabama received a total of \$4.2 billion in pension benefits from state and local pension plans.

The average pension benefit received was \$2,005 per month or \$24,059 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 2022, 26.26% of Alabama's pension fund receipts came from employer contributions, 16.55% from employee contributions, and 57.19% 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 27,150 jobs in the state. The total

income to state residents supported by pension expenditures was \$1.4 billion.

To put these employment impacts in perspective, in 2022 Alabama's unemployment rate was 2.5%. The fact that DB pension expenditures supported 27,150 jobs is significant, as it represents 1.2 percentage points in Alabama's labor force.

ECONOMIC IMPACT

State and local pension funds in Alabama and other states paid a total of \$4.2 billion in benefits to Alabama residents in 2022. Retirees' expenditures from these benefits supported a total of \$4.8 billion in total economic output in the state, and \$2.7 billion in value added in the state.

IMPACT ON TAX REVENUES

State and local pension payments made to Alabama residents supported

CONTINUED ON PAGE TWO

Pensionomics 2025

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a total of \$685.5 million in revenue to federal, state, and local governments. Taxes paid by retirees and beneficiaries directly out of pension payments totaled \$43.2 million. Taxes attributable to pension expenditures in the local economy accounted for \$642.3 million in tax revenue. ●

Federal Tax	\$373.6 million
State/Local Tax	\$311.9 million
Total	\$685.5 million

KEY FINDINGS

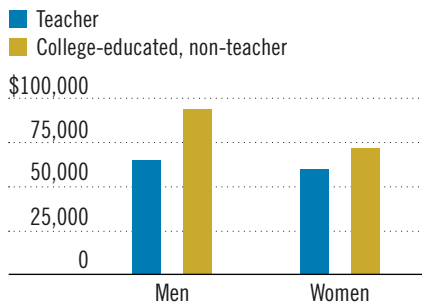
- Benefits paid by state and local pension plans support a significant amount of economic activity in the state of Alabama.
- Pension benefits received by retirees are spent in the local community. This spending ripples through the economy, as one person's spending becomes another person's income, creating a multiplier effect.
- In 2022, expenditures stemming from state and local pensions supported 27,150 jobs that paid \$1.4 billion in wages and salaries, \$4.8 billion in total economic output, and \$685.5 million in federal, state, and local tax revenues in the state of Alabama.
- Each dollar paid out in pension benefits supported \$1.14 in total economic activity in Alabama.
- Each dollar "invested" by Alabama taxpayers in these pension plans supported \$4.34 in total economic activity in the state.

Male Teachers Can Help Struggling Boys but Few Men Pick the Profession

SOURCE: *THE WALL STREET JOURNAL*

The Teacher Pay Gap

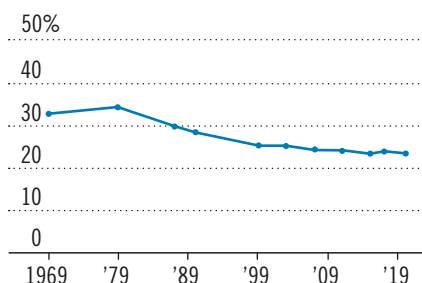
Median salary of teachers versus other college-educated workers in 2023, by gender



Note: Analysis compares teachers who are working full time to other full-time, year-round workers who hold at least a bachelor's degree.

Source: WSJ analysis, American Community Survey, IPUMS/University of Minnesota

Share of Public School Teachers Who Are Men



Note: Figures from 1969 and 1979 are based on the number of full-time equivalent teachers.

Source: U.S. Department of Education

PARCA: Alabama Tax Collections

BY MARY CLAIRE WOOTEN, [ALREPORTER.COM](https://alreporter.com)

The recent report by the Public Affairs Research Council of Alabama (PARCA) shows that Alabama continues to collect less taxes per capita than nearly any state in the country. PARCA uses data from the U.S. Census Bureau's Annual Survey of State and Local Finances to compare tax collections between the 50 states yearly. The most recent data comes from the 2022 fiscal year.

When adjusted for population, Alabama is only trailed by Tennessee in tax, collecting \$4 less per capita, if the state lottery is not included. All Southeastern states besides Alabama have a lottery, and when the lottery is factored in as revenue, Alabama then ranks last.

Between 2021 and 2022, Alabama collected \$4,711 in tax revenue per capita, \$474 more than the previous fiscal year. The median value for the states was \$6,673 per capita, \$1,962 more per resident than Alabama. States primarily lean on three main sources of tax revenue: income, property, and sales. **Alabama's per capita property taxes are the lowest in the nation, but sales tax rates are among the highest in the country to account for the gap.** States also apply selective sales taxes for goods to avoid a general tax increase. Alabama currently ranks in the top 15 for per capita collections on alcohol sales, public utilities, and motor fuel.

Although Alabama is collecting much less in taxes does not mean that it is due to a lack of burden on its residents. Low-income workers begin paying taxes at a lower threshold than any other state, requiring families at the poverty level to pay income taxes. In 2022, 16 percent of Alabama residents were living below the federal poverty level. In other states, income tax is used to provide balance for the effects of other taxes, providing credits to low-income households to offset sales taxes, for instance.

At the other end of the spectrum, Alabama is the only state that allows a full deduction for federal income taxes paid, a tax break that benefits high-income earners. Alabama is the only state to allow both individuals and corporations to fully deduct federal income taxes paid when calculating state income taxes, resulting in \$818 million less in state income tax collections.

The analysis concludes that the most worthwhile way to grow tax revenues in the state is "to build the health, wealth, and prosperity of the state and its residents." "In the long run, Alabama must be able to make sustainable, competitive investments in programs proven to improve health, education, and economic growth. Otherwise, we will end up paying the bills for neglect," it reads. ●



Alabama Success Stories

U.S. Space & Rocket Center

In 1982, the U.S. Space & Rocket Center opened a small camp program designed to get young people interested in the fields of science and math. This brainchild of visionary rocket scientist Wernher von Braun came about long before the emphasis on STEM (Science, Technology, Engineering, and Math) in classrooms.

That pilot program in June 1982 was just the beginning of what has become one of Alabama's biggest success stories: Space Camp. With more than 1 million graduates from all 50 states and 150 foreign locations, Space Camp is a launchpad for young people with big dreams. Graduates have gone on to become astronauts, scientists, engineers, and leaders in business, government, and education.

Stories abound. NASA astronaut Christina Koch, who will launch to the moon later this year as a member of the Artemis II crew, attended Space Camp five times as a child. Jared Isaacman, nominated to serve as NASA's next administrator and a veteran of two commercial astronaut missions, attended the Rocket Center's Aviation Challenge program at the age of 12, an experience that solidified the young man's passion for flight.

A more recent success story is Second Lt. Madison Marsh, the 2024 Miss America and a graduate of the U.S. Air Force Academy.

Space Camp "ignited a fire in me I couldn't put out," Marsh said. "It's why I work so hard."

Luckily for Alabama students, Space Camp is in their own state, and there are many opportunities to attend at reduced cost and even for free. Thanks to the support of the Alabama Legislature, state schools get a whopping 60 percent

discount on camp groups. For many, it's the field trip of a lifetime. Students learn teamwork, problem solving, and leadership along with their state's important role in space exploration.

Middle school students are eligible to apply for another state-supported program – Space Academy for Leading Students in Alabama or SALSA. Legisla-



tors select one boy and one girl from their districts to attend this weeklong program for free. To be eligible for a SALSA scholarship, students must be Alabama residents and be 12 to 14 years old in July 2025. Three weeks are available this year, June 22-27, July 13-18, and July 20-25.

Likewise, the state's teachers are eligible to attend the life-changing Alabama Space Academy for Educators for free. Teachers from around the state come together to be students again, learning

new techniques for teaching science, technology, engineering, and math concepts. Educators leave the program refreshed and recharged for the classroom.

This year, the students and teachers will enjoy major improvements to the Rocket Center campus: a newly renovated Rocket Park and a completely refurbished Space Shuttle exhibit. The Center has made significant investments to renew these exhibits, which serve as Space Camp's biggest classroom. It's one thing to read about space exploration. It's another to stand under the very vehicles that made that exploration possible.

Beyond history, the Rocket Center has recently opened "Discovering Mars: Robot Explorers," which showcases full-scale models of American craft that have roved the Martian surface and are giving us invaluable insight about our solar system neighbor.

All campers, students and adults, also visit the Center's world-class INTUITIVE® Planetarium. The team there creates live, interactive programs using stunning images captured by telescopes like Hubble, Chandra, and James Webb to create live and interactive programs shown daily.

You could say the whole experience is out of this world!

For more information about camp programs and the Rocket Center, visit rocketcenter.com.

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. ●

How to File Your Federal Income Tax for Free

Did you know that you can file your federal income tax for free? The IRS Free File program allows eligible taxpayers to prepare and submit their federal tax returns online at no cost. This program, a partnership between the IRS and trusted tax software providers, offers an easy and secure way to file your taxes.

WHO QUALIFIES FOR FREE FILING?

You can use **IRS Free File** if your **Adjusted Gross Income (AGI) is \$84,000 or less**. The system will guide you through a few simple questions to help you choose a participating tax

software provider that best fits your needs. If you don't qualify, you can still use **Free File Fillable Forms**, an electronic version of IRS paper forms available to everyone.

GET STARTED TODAY

Filing your taxes doesn't have to be complicated or expensive. If you qualify for **IRS Free File**, take advantage of this easy and secure way to file your return.

For more details, visit www.irs.gov/filing/irs-free-file-do-your-taxes-for-free. ●

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The Battle House,

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- March 5-7, 9-11, 16-18, 29-31
- April 1-3, 12-14, 17-19, 27-30
- May 4-6, 8-11, 18-31

The Battle House RSA Spa Package \$244

- March 5, 10-11, 17-18, 31 • April 1-2, 14, 28-30
- May 5-6, 19-21, 26-28

Riverview Plaza \$119

- March 5-13, 30-31 • April 12-14, 18-20, 27-30
- May 4-10, 18-21, 26-28

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

- March 4-5, 12-13, 30-31 • April 1-2, 6-8
- May 11-12, 18-19, 27-28

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

- March 4-5, 12-13, 30-31 • April 1-2, 6-8
- May 11-12, 18-19, 27-28

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

- March 4-5, 12-13, 30-31 • April 1-2, 6-8
- May 11-12, 18-19, 27-28

Renaissance Shoals \$119

- March 2-5, 9-10, 16, 23, 30-31
- April 6, 13-14, 20-21, 27-28
- May 4-5, 18-19, 26-27

Renaissance Shoals RSA Spa Package \$229

- March 2, 4, 16, 23, 31
- April 6, 13-14, 20-21, 27-28
- May 4, 11-12, 26-28

Renaissance Ross Bridge \$129

- March 1-2, 5-6, 9, 12-13, 18-19, 23, 30-31
- April 1, 6-8, 13, 16, 18-21, 27
- May 4, 11-13, 26-27

Renaissance Ross Bridge RSA Spa Package \$260

- March 5, 12 • April 7-8 • May 4, 27-28

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.

- March 16-19, 23-24, 30-31
- April 1-2, 14-15, 20-22 • May 19-21, 26-29

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

- March 16-17, 19-20, 23, 30-31
- April 2, 14, 20-21, 23 • May 19, 21, 26, 28-29

Prattville Marriott \$109

- March 2-3, 23-24, 30-31
- April 6-7, 13, 18-20, 27 • May 9-11, 25-27

Renaissance Montgomery \$129

- March 23-26, 30-31 • April 6-7, 13-14, 19-20
- May 4-5, 11-12, 25-29

Renaissance Montgomery RSA Spa Package \$244

- March 25-26 • April 19 • May 27-29

*Proof of membership may be required.
Rates available the 1st of the month and
are not applicable to groups.*

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TRS Board of Control Election Results

Congratulations to Dr. William A. Walsh and Amanda Miller on their reelection to Higher Education Position No. 1 and Teacher Position No. 1, respectively. Additionally, Jay Duke has been elected to Support Personnel Position No. 1. Mr. Ricky Whaley (Teacher Position No. 2) and Ms. Amy LaCount (Postsecondary Position) ran unopposed and will serve on the TRS Board. Each elected member will begin their three-year term on July 1, 2025.

UPCOMING RUNOFF ELECTION

A runoff election will determine the winner for Retired Position No. 1 between Peggy Mobley, incumbent, and Dr. Donna Lynn Dyess.

- Runoff ballots will be mailed to all eligible voters by **March 13, 2025.**
- Ballots must be received by YesElections no later than **4:00 p.m. on April 18, 2025.**

For more details and election updates, visit www.rsa-al.gov/trs/board-of-control/trs-board-elections/. ●



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