



PLANT SEEDS TODAY

**for a more secure
TOMORROW.**



Deferred Compensation Plan

**WANT TO SEE
YOUR RETIREMENT
SAVINGS REALLY
GROW?** RSA-1 is
a powerful tool
to help you reach
your **RETIREMENT
DREAMS.**

Everyone wants to maintain their standard of living once they retire. RSA-1 can help you do that. We make it easy to boost your retirement savings and defer some of your income before taxes.

When tomorrow comes, you'll want to be able to enjoy it.

The RSA-1 Deferred Compensation Plan is a tremendous benefit offered to you by the Retirement Systems of Alabama (RSA). Here are some of the key benefits:

- Deferring some of your income before taxes to add more savings to your retirement.
- Contributing pre-tax dollars to lower your taxable income and reduce the amount of taxes you pay.
- Because receipt of the income is deferred, the deferred income is not included in your federal or state of Alabama gross taxable income.
- Enroll in RSA-1 at any time.
- RSA-1 is payroll deductible, making saving easy and convenient.
- There is no minimum amount you must contribute each month and no fees.
- Contributions may be increased, decreased, or stopped as often as your payroll officer allows.

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WHAT IS RSA-1?

More than just a way to save money and put time on your side, RSA-1 is an eligible deferred compensation plan as defined by Section 457 of the Internal Revenue Code that allows a public official or employee of the state of Alabama or any political subdivision thereof to voluntarily defer receipt of a portion of their salary. RSA-1 is administered by the Secretary-Treasurer of the ERS under the supervision and direction of the PEIRAF Board of Control, which is composed of members of the investment committees of the TRS and ERS Boards of Control.

DEFERRING = TAX SAVINGS

Your deferred income paid into RSA-1 is invested, with earnings that are accumulated in the fund and are not subject to federal or state of Alabama income taxation until distributed to you or your beneficiaries.

NO FEES!

Unlike other funds, there are no administrative, membership, investment, transaction, sales, or commission fees for participating in RSA-1.

ENROLL ANYTIME

To get started, simply request an RSA-1 Member Handbook. Information is available at www.rsa-al.gov.

To participate in RSA-1:

- Complete and submit the RSA-1 Enrollment, Beneficiary Designation, and Investment Option Election for New Accounts forms.
- Submit the Authorization to Defer Compensation form to your payroll officer. Do not submit this form to RSA-1.
- You can only defer contributions to RSA-1 through payroll deductions.

EASY TO MAKE DEFERRALS

- Deferrals may be in any amount desired but may not exceed the maximum deferral allowed (see page 11 for limits).
- Deferral amount may be increased, decreased, or suspended as often as you wish, subject only to employer payroll requirements.
- Statements are mailed quarterly in January, April, July, and October. You may view your account statement online at any time at Member Online Services (mso.rsa-al.gov).

POWER OF COMPOUNDING

By committing to a savings plan early, you can leverage the Power of Compounding. This means the money you invest in the RSA-1 Deferred Compensation Plan will continue to earn tax-free monies over time. Reinvesting these monies results in additional funds being earned year-after-year.

THE ADVANTAGE OF BEGINNING EARLY

Here's an example based on a monthly contribution of \$100 earning an interest rate of 7%, compounded monthly.

| Starting Age | Value at age 65 | Total Amount Contributed | Cost of waiting 10 years |
|--------------|-----------------|--------------------------|--------------------------|
| 25 | \$264,012 | \$48,000 | |
| 35 | \$122,709 | \$36,000 | \$141,303 |

**This chart is for illustrative purposes only and should not be considered indicative of the future performance of any of the investment options available through RSA-1.*

POWER OF COMPOUNDING

Start Examples

Will started deferring \$50 monthly into his RSA-1 Deferred Compensation Plan account when he was 25 years old. At age 55, Will's account balance will be \$50,226.

Katherine started deferring \$75 monthly into her RSA-1 Deferred Compensation Plan

account when she was 35 years old. At age 55, Katherine’s account balance will be \$34,653.

Both contributed a total of \$18,000 but Will contributed a smaller amount each month and still accumulated \$15,573 more than Katherine. This is the power of compounding.

**This example assumes a 6% rate of interest and is for illustrative purposes only. It is in no way indicative of the future performance of any of the investment options available through RSA-1.*

SAVING TAXES WITH RSA-1

Example

- An employee earning \$2,000 semimonthly
- Deferring \$200 into RSA-1 semimonthly
- Filing as single with no adjustments

| Tier 1 | With RSA-1 | Without RSA-1 |
|-----------------------------------|---------------|------------------|
| Semimonthly pay | \$2,000.00 | \$2,000.00 |
| RSA-1 Deferral | \$200.00 | \$0.00 |
| Less 7.5% Retirement Contribution | \$150.00 | \$150.00 |
| Federal Tax* | \$115.33 | \$139.33 |
| State Tax* | \$67.00 | \$76.00 |
| FICA | \$153.00 | \$153.00 |
| Take Home Pay | \$1,314.67 | \$1,481.67 |

| Tier 2 | With RSA-1 | Without RSA-1 |
|-----------------------------------|-----------------------|--------------------------|
| Semimonthly pay | \$2,000.00 | \$2,000.00 |
| RSA-1 Deferral | \$200.00 | \$0.00 |
| Less 6.0% Retirement Contribution | \$120.00 | \$120.00 |
| Federal Tax* | \$118.93 | \$142.93 |
| State Tax* | \$69.00 | \$78.00 |
| FICA | \$153.00 | \$153.00 |
| Take Home Pay | \$1,339.07 | \$1,506.07 |

**Based on the 2024 tax tables.*

INVESTING IN RSA-1 OPTIONS

RSA-1 funds are invested under the same authority and restrictions that govern investments made by the RSA. RSA-1 offers the option to invest in Fixed Income, Equity, and/or short-term investments (STIF).

■ FIXED INCOME PORTFOLIO

Invested in various debt instruments greater than one year

■ EQUITY PORTFOLIO

Invested in an S&P 500 Index Fund

■ SHORT-TERM INVESTMENT PORTFOLIO

Keep in mind that STIF investments encounter less market risk than do fixed income and equity because of their short duration and usually provide a lower rate of return than investments in those categories.

SELECTING YOUR INVESTMENT OPTIONS

New participants must complete the Investment Option Election for New Accounts form and submit it with your RSA-1 Enrollment and Beneficiary Designation forms to RSA-1 to open an account. Existing participants will be able to change their investment options every 90 days. You may stop deferrals at any time, but the election will remain in effect when you resume deferrals.

A FEW FREQUENTLY ASKED QUESTIONS

Are my investment earnings taxed?

You do not pay income taxes on your investment earnings until they are withdrawn from RSA-1.

Can I view my earnings online?

Yes, visit our website for monthly and historical returns or contact RSA-1.

Are there any limits on what I can contribute to RSA-1?

There is no minimum amount you may defer. If you are making deferrals to another 457 plan, the annual contribution maximum applies to all 457 plans. If you are contributing to a 403(b) or a 401(k), the limits to those plans will not be affected by deferrals to RSA-1.

ANNUAL CONTRIBUTION MAXIMUM

| Year | Under 50 | 50 and Over |
|------|----------|-------------|
| 2024 | \$23,000 | \$30,500 |

Can I catch-up contributions for years I did not participate?

If you did not defer the maximum deferral amount in the years beginning with 1986 and were eligible to participate, you may “catch-up” unused eligible amounts for one to three years if you are within three years of normal retirement age.

The following limit applies:

CATCH-UP MAXIMUM

| Year | Catch-up Maximum |
|------|------------------|
| 2024 | \$46,000 |

Does RSA-1 accept rollovers or transfers?

RSA-1 accepts rollovers from state of Alabama or other eligible employer DROP, PLOP, or ERIP accounts once you have terminated employment. RSA-1 accepts trustee-to-trustee transfers from other 457 plans held by the participant. Funds transferred from other 457 accounts must never have been from any source other than 457(b).

May I defer my sick and annual leave?

If you are eligible to receive payment for sick and annual leave at termination of employment, you may defer up to the maximum limit in the year you terminate employment.

DISTRIBUTION OF YOUR RSA-1 FUNDS

When can I withdraw my funds from RSA-1?

RSA-1 funds are available only after you have either retired or terminated employment.

Further conditions include:

- The attainment of age 70½
- Unforeseeable Emergency (Contact RSA-1)
- Cash-out provision for small account balances (Contact RSA-1)

Can I use my RSA-1 funds to purchase service credit with the ERS or TRS?

RSA-1 funds can be used to purchase permissive service credit with a governmental defined benefit plan such as ERS and TRS.

Can I roll over my RSA-1 funds to another plan?

Once you are eligible for distributions, you may roll over your RSA-1 funds to a Section 401(k), 403(b), 457 plan, Roth IRA, or a Traditional IRA. If still in service, you may transfer your RSA-1 funds to state of Alabama eligible 457 plans.

When I withdraw my funds, how are they taxed?

Distributions are subject to the withholding rules applicable to qualified plans. Deferred income and investment earnings distributed from RSA-1 will be taxed to the employee or beneficiary as ordinary income in the year of distribution and are reported on a Form 1099-R in the year of distribution.

For more information,
refer to the RSA-1 Member
Handbook or visit us online.

rsa-al.gov

**JOIN
RSA-1
TODAY**

**and accelerate the
GROWTH of your
RETIREMENT BENEFITS.**



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RSA-1 DEFERRED COMPENSATION PLAN

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