

**Savings Board of Directors Board Meeting
February 21, 2018
MINUTES**

Board Present:

Chair Young Boozer
Ms. Sara Calhoun for Mr. Jimmy Baker (by phone)
Mr. Jack Knight
Mr. Dennis Beavers
Mr. Edward Reifenberg
Mr. Daniel Hughes
Dr. Jim Purcell
Dr. Ken Tucker

Board Absent:

Mr. Chess Bedsole
Mr. Ronald Stokes

Others Present:

Ms. Daria Story, Assistant Treasurer
Ms. Glenda Allred, Deputy Treasurer
Ms. Anita Kelley, Program Director
Mr. Jay Steinacher, Union Bank & Trust
Ms. Cari Kaup, Union Bank and Trust
Ms. Donna Crownover, Union Bank and Trust
Ms. Annoesjka West, Callan
Mr. Todd Carabasi, Callan
Mr. Rob Noe, Wilshire Associates
Mr. John Nagle, Wilshire Associates

Pursuant to written and public notice, the meeting of the Savings Board of Directors was held in the RSA Union Conference Room in Montgomery, AL on February 21, 2018.

The meeting was called to order by Vice Chair Daniel Hughes at 9:00 a.m.

Roll was taken with a quorum present.

Vice Chair Hughes presented the minutes of the November 15, 2017 board meeting. A motion for approval was made by Mr. Beavers, seconded by Mr. Knight, with unanimous approval.

Vice Chair Hughes called on Anita Kelley to give the program report. Ms. Kelley provided a spreadsheet on the administrative fund with a listing of the budget and YTD expenses. She also provided a Statement of Cash Flows for the scholarship program and stated that the balance in that account is \$12,446,248 as of 12/31/2017. The report was received as informational.

Vice Chair Hughes called on Niki Lim with Big Communications to present the marketing report. Ms. Lim gave an overview of marketing plans for 2018 as well as a new summer reading program that will be launched with participating libraries across Alabama this summer. The report was received as informational.

Vice Chair Hughes called on Jay Steinacher with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 86,625 active accounts with total assets in the plan of \$1.65 billion. This represents a 16.8% increase YTD. He stated the number of Alabama account holders is 49,230 with \$856.7 million in plan assets. This is a 25.1% increase YTD. Mr. Steinacher said total contributions for 2017 were \$173 million of which total rollover contributions were \$27.1 million. He stated that 71% of all accounts are invested in the age-based portfolios. Mr. Steinacher provided detailed information on new account statistics, distributions and market values of the investments. Mr. Steinacher called on Cari Kaup to provide information on call center, web activity and grass roots efforts. The written report was received as informational.

Vice Chair Hughes called on Rob Noe and John Nagle of Wilshire Associates for the investment performance report. Mr. Nagle provided commentary on the economy including the U.S. and international equity markets, as well as, the fixed income, real estate and commodity markets. Mr. Noe provided a summary of the individual fund portfolios for both the Direct and Advisor Plans and discussed fund performance compared to the relative benchmarks. Mr. Noe highlighted the strong relative performance of the T. Rowe Price Large Cap Growth Fund, the T. Rowe Price Balanced 529 Portfolio and the DFA U.S. Large Cap Value 529 Portfolio within the Direct Plan. In terms of the Advisor Plan, Mr. Noe noted the weak relative performance of the Templeton International Bond Fund and the Lazard Emerging Markets Fund. Conversely, Mr. Noe highlighted the strong relative performance of the Cohen and Steers Dividend Value 529 Portfolio. The report was received as informational.

Chair Boozer assumed the Chair at 10:30 and called on Annoesjka West and Todd Carabasi with Callan to present the consultant's report. Ms. West stated that the Vanguard REIT Index Fund will change its investment objective and name, and begin the transition process to a new benchmark from the MSCI US REIT Index to the MSCI US Investable Market Real Estate 25/50 Index, effective immediately. She said the new objective will allow the fund to invest in a wider array of real estate related securities. Ms. West reviewed the existing Watch List, with no recommendations regarding the addition or removal of any funds. Ms. West said Callan recommends the BlackRock Inflation-protected Bond Fund (Advisor Plan), the Touchstone High Yield Fund (Advisor Plan), the Templeton International Bond Fund (Advisor Plan), the American Century Equity Growth Fund (Advisor Plan), the Voya Global Real Estate Fund (Advisor Plan), the T. Rowe Price Real Estate (Advisor Plan) and the Lazard Emerging Markets (Advisor Plan) remain on the Watch List. A motion to approve the Watch List recommendations was made by Dr. Tucker, seconded by Mr. Knight, with unanimous approval.

Chair Boozer discussed the recent changes to 529 and 529A Savings Programs due to the *Tax Cuts and Jobs Act* passed by Congress on 12/22/2017. He stated that one of

the changes to Section 529 of the IRS Code now includes K-12 expenses for tuition at public, private and religious schools up to \$10,000 a year. He said that Sen. Dick Brewbaker and Rep. Ken Johnson have sponsored a bill in their respective chamber to clarify payment of qualified higher education expenses be made at eligible educational institutions, as defined by the IRS Code 529, as well as language to give full financial powers to guardians in Alabama for ABLE purposes. Chair Boozer relayed his recent attendance and participation in legislative committees regarding these bills. The report was received as informational.

Chair Boozer called on Jay Steinacher to summarize the supplements to the Program Disclosure Statements for the both Direct and Advisor Plans dated 01/11/18. The supplements included information regarding the expanded qualified higher education expenses, rollovers to ABLE Programs from CollegeCounts and annual Gift Tax Exclusion increase for 2018.

Mr. Steinacher discussed a memo from Union Bank and Trust dated 12/21/17 regarding Municipal Advisory Client Education and Protection Pursuant to Municipal Securities Rulemaking Board Rule G-10.

Mr. Steinacher discussed the annual BKD audit. He stated the audit was performed for fiscal year 2017 and that no exceptions were found. The Board accepted the audit as informational.

Chair Boozer called on Rachel Biar and Deborah Goodkin with Enable Savings Plan to present the quarterly report by phone. Ms. Biar and Ms. Goodkin presented numbers on the total assets and accounts. Ms. Goodkin stated that as of 12/31/17 there were \$250M in assets and 84 active accounts and showed the breakdown in which the assets have been invested in. She also gave information on customer call service including speed to answer, abandonment rate and average call time. Ms. Biar and Ms. Goodkin spoke about the marketing materials and outreach efforts. The report was received as informational.

Chair Boozer stated the Statement of Economic Interest forms are due by 4/30/18.

There being no further business, a motion to adjourn was made by Dr. Tucker, seconded by Mr. Beavers, with unanimous approval. The meeting adjourned at 11:00 a.m.

Anita Kelley, Recording Secretary

Young Boozer, Chair