

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
August 10, 2015**

MINUTES

Present:

Treasurer Young Boozer, Chair
Dr. Greg Fitch
Mr. Marc Green for Dr. David Bronner
Ms. Patti Lambert
Gen. Paul Hankins
Mr. Robert Bradley
Ms. Sara Calhoun for Dr. Mark Heinrich
Dr. John Stewart
Mr. Sandy Hammer
Mr. Bill Newton
Ms. Maria Campbell (by phone)
Mr. Mark Sullivan

Absent:

Mr. Jimmy Stubbs
Rep. Bill Poole
Sen. Trip Pittman

Others present include:

Ms. Daria Story, Assistant Treasurer
Ms. Glenda Allred, Deputy Treasurer
Ms. Anita Kelley, Program Director
Mr. Steve Roth, Dahab Associates
Mr. Dan Sherman, Sherman Actuarial Services
Mr. Larry Ransburgh, Regions Institutional Services
Ms. LeeAnn Herron, Regions Institutional Services
Mr. George McCurdy, Regions Institutional Services

Pursuant to written and public notice, the meeting of the Board of Directors of the PACT Program was held in the Board Room of the RSA Headquarters on August 10, 2015.

Agenda Item 1.

The meeting was called to order by Chair Young Boozer at 10:00 a.m.

Agenda Item 2.

Chair Boozer introduced new board member Dr. John Stewart, President of the University of Montevallo.

Agenda Item 3.

Roll was taken with a quorum present.

Agenda Item 4.

Chair Boozer presented the minutes of the May 20, 2015 board meeting. A motion for approval of the minutes was made by General Hankins, seconded by Mr. Hammer with unanimous approval.

Agenda Item 5.A.

Chair Boozer asked Ms. Anita Kelley for a program report. Ms. Kelley provided information on program activities, cancellations, plan assets, and the budget for fiscal year 2015. She stated that usage statements were mailed to 15,439 contract owners. Her report was received as informational.

Agenda Item 5.B.

Chair Boozer called on Steve Roth with Dahab and Associates to provide the quarterly investment report. Mr. Roth provided commentary on the economy for the second quarter of 2015. He also discussed investment performance, asset allocation and quarter end balances. The report was received as informational.

Agenda Item 5.C.

Chair Boozer called on Dan Sherman with Sherman Actuarial Services to provide information on the quarterly actuarial report. He provided a summary of funding and compared the June 30, 2015 assets and liabilities to the September 30, 2014 numbers. He stated that program assets as of June 30, 2015 were approximately \$136.2 million. Mr. Sherman said that the funded ratio had increased to 117%. He also reviewed a spreadsheet of the projected cash flow through year 2032 that shows a \$13 million surplus in fiscal year 2019 and \$126.5 million surplus in 2032. Mr. Sherman presented and discussed three different scenarios that enhance PACT benefit payments and how each scenario affects the funded ratio and the cash flow during fiscal year 2019. The report was received as informational.

Agenda Item 6.A.

Chair Boozer stated that a motion to table the proposed resolution to approve an Adjustment Rate increase for PACT benefit payments was made at the May 20, 2015 board meeting. A new motion to approve a 3% rate increase was made by General Hankins and seconded by Ms. Lambert. General Hankins inquired as to what would occur if the increase was approved and the projected surplus was incorrect. Mr. Sherman stated that even if the portfolio earned 0% for the next two years, the difference in the projected surplus would only be \$1.8 million which would still leave a \$1.5 million surplus. Mr. Newton asked the Board how a deficit in the surplus would be handled if the actuarial numbers were incorrect. Discussion ensued regarding a possible deficit in funds in fiscal year 2019 and the handling of any surplus at the conclusion of the program. Following the discussion, Chair Boozer called for the vote on the motion to approve a 3% rate increase. The motion passed with one dissenting vote by Mr. Newton.

Agenda Item 6.B.

Chair Boozer called on Mr. Dan Sherman to summarize the proposed actuarial assumptions for the FY15 annual report. He reviewed the assumptions and discussed the actuarial process. Discussion ensued regarding the assumptions. A motion to approve the proposed assumptions was made Ms. Lambert, seconded by Mr. Bradley. The motion passed with one dissenting vote by Mr. Newton.

Agenda Item 6.C.

Chair Boozer called on Ms. Anita Kelley to present information regarding a petition from an account owner requesting an exception to a PACT rule. Ms. Kelley provided a brief summary of the petition and stated the request had been presented to Treasury legal counsel for review in accordance with program bylaws. She stated that the request was for a contract extension due to the medical diagnosis and treatment of the beneficiary. A motion to approve an extension was made by Ms. Lambert, seconded by Mr. Green. The motion passed with one dissenting vote by Dr. Fitch.

Agenda Item 6.D.1.

Chair Boozer stated that the RFP Committee met on July 22, 2015 to review the proposals received for investment manager services and custodian services. He discussed the process used to review the responses and stated that the committee recommended Regions Institutional Services for both services and asked that they present at the board meeting.

Agenda Item 6.D.2.

Chair Boozer introduced Larry Ransburgh, LeeAnn Herron and George McCurdy who were presenting for Regions Institutional Services. Ms. Herron presented an overview of the firm and discussed detailed information about the custodial services the firm has to offer.

Agenda Item 6.D.3.

George McCurdy presented information on the investment management services offered by Regions Institutional Services including the firm's philosophy, strategy and objectives. Mr. McCurdy also discussed the fixed income team members and the investment process they utilize.

Agenda Item 6.D.4.

Chair Boozer presented a proposed resolution to select Regions Institutional Services as custodian as recommended by the RFP Committee. A second was made by Mr. Hammer, with unanimous approval.

Agenda Item 6.D.5.

Chair Boozer presented a proposed resolution to select Regions Institutional Services as investment manager as recommended by the RFP Committee. A second was made by Dr. Stewart, with unanimous approval.

Agenda Item 7.A.

Chair Boozer reviewed the status of the Rolling Reserve Bill which includes changes to the payments that are transferred from the Education Trust Fund to PACT. The bill would adjust PACT payments and transfer more of the funds earlier in the schedule rather than later.

Agenda Item 7.B.

Chair Boozer discussed the status of ABLE. He stated that the earliest the program would be available in Alabama would be the fall or winter of 2016.

Agenda Item 8.

Chair Boozer presented to Robert Bradley a declaration to recognize Joyce Bradley as an Alabama Treasure due to her active support of the PACT program. He spoke of her family, work and achievements.

Agenda Item 9.

There being no further business to be discussed, a motion for adjournment was made by Mr. Hammer, seconded by General Hankins, with unanimous approval. The meeting adjourned at 11:36 a.m.

Anita Kelley, Recording Secretary

Young Boozer, Chair