

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
MINUTES
November 15, 2022**

Present:

Treasurer Young Boozer, Chair – in person
Mr. Marc Green for Dr. David Bronner – in person
Ms. Sara Calhoun for Jimmy Baker - virtual
Mr. Taylor Nichols for Mr. Bill Poole – in person
Mr. Jay Hare – virtual
Mr. Will Martin – in person
Gen. Paul Hankins – in person
Judge JC Love – in person
Ms. Annie Furrer - virtual

Absent:

Dr. Ken Tucker
Rep. Danny Garrett
Sen. Donnie Chesteen
Mr. Wes Lambert
Mr. Tommy Dismukes
Dr. James Purcell

Others present include:

Ms. Daria Story, Deputy Treasurer – phone
Ms. Glenda Allred, Deputy Treasurer – in person
Mr. Chad Wright, Assistant Treasurer – in person
Ms. Anita Kelley, Program Director – in person
Ms. Kayla Bankston, PACT – in person
Mr. Dan Sherman, Sherman Actuarial Services - virtual
Mr. George McCurdy, Regions Bank - in person
Mr. Robert Richardson, Regions Bank – in person

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the RSA Union Conference Room in Montgomery, AL on November 15, 2022, with participation also allowed by electronic means in accordance with §36-25A.5.1, Code of Alabama, as amended.

The meeting was called to order by Chair Young Boozer at 11:00 a.m.

Roll was taken with a quorum present.

1. Chair Boozer presented the minutes of the August 23, 2022 board meeting. A motion for approval of the minutes as presented was made by Gen. Hankins, seconded by Mr. Martin, with unanimous approval.
2. Quarterly Reports

- A. Program Report - Chair Boozer asked Anita Kelley for a program report. Ms. Kelley provided information on program activities, plan assets, revenues and disbursements, and the budget for the previous and current fiscal year noting that the budget has been reduced from \$600,000 to \$525,000. She discussed tuition payments and stated the program paid out benefits in the amount of \$8.8 million to 2350 students from 07/1/22 through 09/30/2022 and noted that the number of active accounts was 7,949. She also stated the dollar amount of cumulative benefits paid since inception is \$1,267,728,415 in tuition and \$38,672,559 in qualified fees. Annual Usage Statements were sent to all active accounts that had disbursements made in the past year on 08/29/2022. The report was received as informational.

- B. Investment Report - Chair Boozer called on George McCurdy and Rob Richardson to present the quarterly investment report. Mr. McCurdy gave a thorough economic and financial market update and discussed an overview and outlook for fixed income and equities. He provided information on the asset value of the portfolio and discussed the performance of the portfolio including the money market fund and fixed income. He stated returns for the quarter for the money market fund were .50% and -0.93 for the fixed income portfolio. The report was received as informational.

3. Decision Items

A. Amendment to Actuarial Assumptions

1. Mr. Sherman presented a handout discussing amendments to the actuarial assumptions for FY23. He suggested that the methodology for estimating future PACT benefit payments be revised in order to be more actuarially accurate. He stated that in recent years, the adjusted 2010 rates have exceeded the actual tuition and fees charged by most schools. The revised recommended methodology determines the assumption based on actual enrollment of PACT students, actual academic year 2022-2023 tuition and fees, and a 5% load for potential bias to more expensive schools. He also recommended that the number of hours utilized per semester be adjusted to be more accurate by decreasing the hours utilized per semester by one hour. All other assumptions approved at the August 2022 Board meeting would remain the same.

2. Following discussion, Treasurer Boozer presented a resolution to approve the proposed assumptions. A motion to approve the resolution was made by Gen. Hankins, seconded by Judge Love, with unanimous approval.

B. Annual Financial Audit

1. Ms. Kelley stated that Jackson Thornton notified PACT on 11/07/2022 that they would be unable to perform the Fiscal Year 2022 audit due to noncompliance of Section 101-15 of the American Institute of Certified Public Accountants Code of Professional Conduct because personnel within the firm own PACT contracts. Failure to provide audited PACT financial statements to

the Comptroller by January 15 affects the proper functioning and financial reporting of the State; as well as affects the public welfare of the state and its citizens. As such, the Treasurer issued a Declaration of Emergency for Professional Auditing Services that allows PACT to execute an emergency contract with a financial auditor in order to complete the 2022 audit timely. The Treasurer's office has been in contact with a CPA firm in Birmingham named Kassouf & Co., P.C. that is interested in performing the PACT audit for this year. A draft contract has been sent to Kassouf & Co., P.C. and the PACT Board for review. An RFP will be issued in early 2023 to procure professional financial auditing services for the next five years.

2. A motion to approve the resolution was made by Mr. Hankins, seconded by Mr. Green, with unanimous approval.

C. – G. Chair Boozer presented resolutions for Board Members whose term expired in June. He presented a resolution for Jason Alderman, Michelle Granberry, Sen. Garlan Gudger, Mark Knight, and Robert Bradley. Chair Boozer expressed his gratitude for their service over the years. A motion to approve the resolutions was made by Judge Love, seconded by Gen. Hankins, with unanimous approval.

4. New Business – Annual Actuary Report - Chair Boozer called on Dan Sherman to present the annual actuarial report. He stated the asset value as of 09/30/22 was \$238,576,509 with \$29,407,279 in cash and \$209,169,230 in fixed income securities. He noted the funded ratio was 179.8% compared to the 09/30/21 ratio of 119.8%, due to the receipt of all monies appropriated to PACT from the Education Trust Fund. He reviewed a spreadsheet of the projected cash flows, assets, and liabilities through year 2032. The report was received as informational.

5. Informational Items

A. Ms. Kelley reminded the Board that the Diversity Forms are due by 12/2/2022.

B. Ms. Kelley presented the 2023 Board Meeting Dates.

6. There being no further business, a motion to adjourn was made by Gen. Hankins, seconded by Mr. Green, with unanimous approval. The meeting adjourned at 11:49 a.m.

Anita Kelley, Director

Young Boozer, Chair