

**Savings Board of Directors Board Meeting
February 17, 2021
MINUTES**

Board Present:

Chair John McMillan
Ms. Heidi Lee
Ms. Susan Tully
Dr. Ken Tucker
Dr. Jim Purcell
Ms. Sara Calhoun for Mr. Jimmy Baker
Mr. Jack Knight
Ms. Judy Miller for Lt. Gov. Ainsworth
Mr. Daniel Hughes

Board Absent:

Mr. Edward Reifenberg
Mr. Ronald Stokes

Others Present:

Ms. Daria Story, Assistant Treasurer
Ms. Anita Kelley, Program Director
Ms. Brittany Carter, External Affairs
Mr. Jay Steinacher, Union Bank & Trust
Ms. Cari Kaup, Union Bank & Trust
Ms. Annoesjka West, Callan
Mr. Todd Carabasi, Callan
Mr. Rob Noe, Wilshire Associates
Mr. John Nagle, Wilshire Associates
Mr. Stephen Wade, Enable Savings Plan Alabama
Ms. Diane Stewart, Enable Savings Plan Alabama

Pursuant to written and public notice, the meeting of the Savings Board of Directors was held on February 17, 2021 . In accordance and compliance with §16-33C-4(f), the meeting was held by video conference with access posted on the Secretary of State's meeting notice in order to allow the public to listen to, observe or participate in the meeting.

The meeting was called to order by Chair McMillan at 9:00 a.m.

Roll was taken with a quorum present.

Chair McMillan presented the minutes of the November 18, 2020 Board meeting. A motion for approval was made by Dr. Tucker, seconded by Mr. Knight, with unanimous approval.

Chair McMillan called on Stephen Wade and Diane Stewart to present the quarterly report for the Enable Savings Plan. Mr. Wade presented numbers on the total assets and accounts. He stated that as of 12/31/20 there were \$2,575,382 in assets and 381 active

accounts and showed the breakdown in which the assets have been invested and the investment returns. Mr. Wade compared the account and asset numbers to the 12/31/19 numbers which showed a steady growth in both. Mr. Wade gave information on the contributions and distributions made over the past quarter. Ms. Stewart talked about the various webinars and virtual communications the program has engaged in. The report was received as informational.

Chair McMillan called on Anita Kelley to give the program report for CollegeCounts. She provided information on the 2021 FY budget and discussed a spreadsheet showing the Statement of Cash Flows for the scholarship program that showed the balance in the account was \$15,284,661 as of 12/31/20. Ms. Kelley reviewed the 2021 Marketing Plan that will target rural areas of Alabama in addition to the metro areas. The written report was received as informational.

Chair McMillan called on Jay Steinacher and Cari Kaup with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 103,263 active accounts with total assets in the plan of \$2.119 billion. This represents a 10.3% increase for the quarter and a 13.9% for the year. He stated the number of Alabama account holders is 64,226 with \$1.362 billion in plan assets. This is a 12.1% increase for the quarter and 20.1% for the year. Mr. Steinacher said YTD contributions were \$199.6 million of which rollover contributions were \$23.57 million. He also provided additional information on contribution, withdrawal, and investment change activity. Ms. Kaup discussed call center statistics and the most common topics account holders and advisors are contacting the call center. The written report was received as informational.

Chair McMillan called on Rob Noe and John Nagle of Wilshire Associates to review the investment performance report. Mr. Noe provided commentary on the economy including the U.S. and international equity markets, as well as, the fixed income, real estate, and commodity markets as of 12/31/2020. He provided a second quarter performance summary of individual fund portfolios for both the Direct and Advisor Plans and discussed fund performance. He stated that the target portfolios for both Plans posted strong absolute returns and the more aggressive portfolios had double digit returns. Direct plan portfolios performed in-line or slightly below their benchmarks while the Advisor portfolios outperformed. Mr. Noe noted that traditional fixed income managers and active large cap equity managers performed well while active small cap managers underperformed. He highlighted outperformers such as Dodge & Cox International Stock, Vanguard Emerging Markets Selection Stock and DFA Large Cap Value. Mr. Noe also discussed notable underperformers including T. Rowe Price QM Small Cap Growth Fund, DFA Real Estate Fund and Northern Small Cap Value Fund. Mr. Noe discussed the Neuberger Berman International Equity and their recent announcement of their Senior Portfolio Manager and Head of the firm's International Equity Team's retirement effective June 2021. Effective immediately, Co-Portfolio Manager Elias Cohen has taken over as Senior Portfolio Manager and Head of the International Team. Mr. Cohen has been with the firm for 20 years and been in the Co-Manager position for the past four years. Wilshire stated at this time they do not have a significant concern with this change in management and recommends no change with this strategy. Callan concurred with the recommendation. Mr. Noe also discussed the William Blair Small Cap Value Fund. He stated that the organization is acquiring a new small and mid cap manager effective 2nd quarter of 2021. The manager

they will acquire is Investment Counselors of Maryland and William Blair will transition to their management team. He stated that William Blair has underperformed for the past couple of years and now would be a good time to do a fund search for a possible replacement. Callan agreed with the recommendation to perform a fund search. Potential replacement funds will be presented at the next board meeting. The written report was received as informational.

Chair McMillan called on Todd Carabasi with Callan to present the consultant's report. Mr. Carabasi discussed the Watch List and stated there were no new funds to be added to the list. He discussed the recommendation to remove the American Century Short Duration Inflation Protection Bond Fund (Advisor) from the list as short and long-term performance is now in-line or ahead of the benchmark. He stated Callan recommends the DFA U.S. Small Cap Value fund (Direct Plan), the Dodge & Cox International Stock Fund (Direct Plan), the Touchstone High Yield fund (Advisor Plan), the American Century Short Duration Inflation Protection Bond fund (Advisor Plan), the William Blair Small Cap Value fund (Advisor Plan), Templeton Global Bond fund (Advisor Plan), and the DFA Large Cap Value fund (Advisor and Direct) remain on the Watch List. A motion to approve the Watch List was made by Mr. Hughes, seconded by Mr. Knight, with unanimous approval.

Mr. Noe presented a list of replacement options for the Templeton International Bond Fund that included global funds. Mr. Noe discussed the key characteristics of each fund as well as the trailing performance, 5-year risk/return profile and the strengths and weaknesses of each. Mr. Noe stated that all the funds presented were good options to consider. He stated Wilshire recommends the Alliance Bernstein Global Plus Fixed Income Fund due to it being a more conservative and lower risk fund and would adding it would bring more diversification to the lineup. Ms. West stated Callan agrees with this recommendation due to Alliance Bernstein having lower fees, strong performance and adding them does bring more diversification. After discussion by the board, a motion to approve the removal of the Templeton International Bond Fund and replace it with the Alliance Bernstein Global Plus Fixed Income Fund was made by Mr. Hughes, seconded by Mr. Knight, with unanimous approval.

Ms. Story gave an update on the proposed legislation for the 2021 legislative session. The legislation to include the addition of a state tax deduction for ABLE contributions and clarification of disclosing monies in a 529 accounts can be used, as allowed by the IRS, for K-12, apprenticeships, and student loan debt. Both of these bills have been introduced into their respective houses.

Ms. Kelley gave an update to the upcoming conversion of the ABLE program from Nebraska/FNBO to Sunday. She discussed the progress and shared the new logo and name with the Board. The proposed investment portfolios were shared, and she noted that the funds chosen are funds the Board has approved for CollegeCounts. The Board gave authority to proceed with the investment selection.

Chair McMillan noted the deadline for the Statement of Economic Interest forms.

There being no further business, a motion to adjourn was made by Ms. Lee, seconded by Mr. Hughes, with unanimous approval. The meeting adjourned at 10:27 a.m.

Anita Kelley, Director

John McMillan, Chair