

**Savings Board of Directors Board Meeting  
February 19, 2020  
MINUTES**

**Board Present:**

Chair John McMillan  
Mr. Jack Knight  
Ms. Heidi Lee  
Ms. Susan Tully  
Ms. Sara Calhoun (phone)  
Mr. Ronald Stokes  
Dr. Ken Tucker

**Board Absent:**

Mr. Daniel Hughes  
Lt. Gov. Ainsworth  
Dr. Jim Purcell  
Mr. Edward Reifenberg

**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  
Ms. Rachel Biar, Enable Savings Plan Alabama (phone)  
Ms. Deborah Goodkin, Enable Savings Plan Alabama (phone)

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 19, 2020.

The meeting was called to order by Vice Chair Knight at 9:10 a.m.

Roll was taken without a quorum present. Chair McMillan was attending a legislative committee meeting regarding the 529 legislation the Treasurer's office presented.

Vice Chair Knight called on Deborah Goodkin and Rachel Biar to present the quarterly report for the Enable Savings Plan. Ms. Goodkin presented numbers on the total assets and accounts. She stated that as of 12/31/19 there were \$1,495,175 in assets and 264 active accounts and showed the breakdown in which the assets have been invested and the investment returns. She presented information regarding account owner disability type. She also gave information on customer call service including speed to answer, abandonment rate and average call time. Ms. Goodkin gave information on the different

events and speaking engagements that Enable staff had attended over the past quarter. The report was received as informational.

Vice Chair Knight called on Anita Kelley to give the program report for CollegeCounts. Ms. Kelley presented an update on the scholarship applications as well as a marketing update for events that are upcoming. She provided information on the 2020 budget and discussed a spreadsheet showing the Statement of Cash Flows for the scholarship program that showed the balance in the account was \$13,949,141 as of 12/31/2019. The written report was received as informational.

Vice Chair Knight called on Jay Steinacher and Cari Kaup with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 97,235 active accounts with total assets in the plan of \$1.93 billion. This represents a 19.72% increase YTD. He stated the number of Alabama account holders is 59,443 with \$1.13 billion in plan assets. This is a 27.43% increase YTD. Mr. Steinacher said YTD contributions were \$196.5 million of which rollover contributions were \$29.85 million. He stated that 68.4% of all Direct accounts and 72.2% of all Advisor accounts are invested in the age-based portfolios. He said the average age of the account owner is 50 years of age while the average age of the beneficiary is 13 and the average account size in the plan is \$21,869. Ms. Kaup provided detailed information on new account statistics, distributions and market values of the investments. She also presented information on the call center, web activities and grass roots efforts. The written report was received as informational.

Chair McMillan joined the meeting. In an effort to present the decision items while a quorum was present, he called on Ms. West with Callan to discuss the Watch List. Ms. West discussed adding the Templeton Global Bond Fund and the Credit Suisse Commodities Fund, both in the Advisor Plan, to the List. She stated that both recommendations are due to lack of performance in addition to the departure of a senior analyst with the Templeton Fund. She also said that all funds currently on the Watch List are recommended to remain at this time. A motion to approve the Watch List was made by Dr. Tucker, seconded by Mr. Knight, with unanimous approval.

Chair McMillan called on Rob Noe and John Nagle of Wilshire Associates to review the three funds that were discussed at the November Board meeting. Mr. Noe presented a handout regarding the Mainstay Total Return Bond Fund and possible options for the replacement of the Fund. He stated that Wilshire believes all the presented options in the handout are good options in the Core Plus Fixed Income space, but they prefer PGIM as it is the highest rated product on their list. PGIM has a long track record across market environments and has been able to produce strong risk adjusted returns through cycles and also has been best in class risk systems that help with position sizing, asset allocation and providing a good feedback loop. Ms. West concurred with the recommendation. Chair McMillan presented a proposed resolution for consideration for the removal and liquidation of the Mainstay total Return Bond fund in the Direct and Advisor Plans and reinvestment of the proceeds and future monies into the PGIM – Core Plus Fixed Income Fund effective April 28,2020. A motion to approve the resolution was made by Ms. Lee, seconded by Dr. Tucker, with unanimous approval.

Mr. Noe discussed the BlackRock Inflation-Protected Bond Fund in the Advisor Plan. He stated that Wilshire recommends removal of the fund and reinvesting the proceeds and future monies into the American Century Short Duration Inflation Protection Bond Fund. Mr. Noe stated that the replacement fund has the same strategy but a shorter duration and already exists in the Advisor investment lineup. Ms. West concurred with the recommendation. Chair McMillan presented a proposed resolution for consideration for the removal of the BlackRock Inflation-Protected Bond Fund and reinvestment of the proceeds and future monies into the American Century Short Duration Inflation Protection Bond Fund effective April 28, 2020. A motion to approve the resolution was made by Dr. Tucker, seconded by Ms. Lee, with unanimous approval.

Mr. Noe discussed the American Century Equity Growth Fund in the Advisor Plan. He stated that Wilshire recommends removal of the fund and reinvesting the proceeds and future monies into the Northern Stock Index Fund. Mr. Noe stated that the fund has the same strategy but has performed better than American Century and already exists in the investment lineup. Ms. West concurred with the recommendation. Chair McMillan presented a proposed resolution for consideration for the removal of the American Century Equity Growth Fund in the Advisor Plan and reinvestment of the proceeds and future monies into the Northern Stock Index Fund effective April 28, 2020. A motion to approve the resolution was made by Mr. Knight, seconded by Ms. Lee, with unanimous approval.

Chair McMillan asked Mr. Noe for 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. He 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 weak relative performance of the T. Rowe Price Large-Cap Growth fund and the strong relative performance of the Vanguard Explorer 529 fund, the DFA U.S. Large Cap Value fund and the Dodge & Cox International Stock fund and noted all other funds performed well or in line with their respective benchmark. In terms of the Advisor Plan, Mr. Noe noted the weak relative performance of the T. Rowe Price QM US Small-Cap Growth Equity fund, William Blair Small Cap Value fund and the Northern Small Cap Value fund and the strong relative performance of the Neuberger Berman Int'l Large Cap fund and DFA US Large Cap Value fund and stated that all other funds performed well or in line with their respective benchmark. Mr. Noe discussed Franklin Templeton and Dodge and Cox and stated that both firms have had or will have notable departures from their staff, but that confidence is still high in both firms and no changes are recommended at this time. The written report was received as informational.

Chair McMillan called on Ms. West and Mr. Carabasi with Callan to present the consultant's report. Ms. West discussed Franklin Templeton and Dodge & Cox as well with regards to staff departures. She stated that Callan also feels confident in the two firms and that no action is recommended at this time.

Chair McMillan called on Mr. Steinacher to discuss the Secure Act and the changes affecting 529 plans which include apprenticeships and student loan payments.

Chair McMillan discussed the legislation to expand the use of 529s and stated he had been at the committee meeting earlier that morning to present it to the committee.

Chair McMillan called on Mr. Steinacher to present the annual audit performed by BKD. Mr. Steinacher stated that the audit was performed for last fiscal year and that no exceptions were found. The Board accepted the audit as informational.

Chair McMillan called on Ms. Kelley to inform the Board that the Board's Investment Consultant Contract expires on 09/30/20 and that the Treasurer's office would be issuing an RFP in the next month.

Chair McMillan stated that the Statement of Economic Interest forms are due by 04/30/20.

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

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Anita Kelley, Director

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John McMillan, Chair