

**Savings Board of Directors Board Meeting
May 20, 2020
MINUTES**

Board Present:

Chair John McMillan
Mr. Jack Knight
Ms. Heidi Lee
Ms. Susan Tully
Mr. Ronald Stokes
Dr. Ken Tucker
Mr. Daniel Hughes
Ms. Judy Miller for Lt. Gov. Ainsworth
Mr. Edward Reifenberg

Board Absent:

Dr. Jim Purcell
Mr. Jimmy Baker

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)
Ms. Andrea Feirstein, AKF Consulting

Pursuant to written and public notice, the meeting of the Savings Board of Directors was held on May 20, 2020. In accordance and compliance with Governor Ivey's first supplemental Statement of Emergency dated March 18, 2020, 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 February 19, 2020 board meeting. A motion for approval was made by Dr. Tucker, seconded by Ms. Lee, with unanimous approval.

Chair McMillan 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 03/31/20 there were \$1,667,197 in assets and 307 active accounts and showed the breakdown in which the assets have been invested and the investment returns. 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.

Chair McMillan called on Anita Kelley to give the program report for CollegeCounts. Ms. Kelley stated 1000 completed applications were received for the CollegeCounts Scholarship with 354 students awarded the scholarship for the 2020/21 academic year. Ms. Kelley presented a marketing update for CollegeCounts events that are upcoming and discussed the new initiative regarding folders for First Graders. 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 \$11,844,745 as of 03/31/20. 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 99,122 active accounts with total assets in the plan of \$1.69 billion. This represents a 12.3% decrease YTD. He stated the number of Alabama account holders is 61,028 with \$1.006 billion in plan assets. This is a 11.3% decrease YTD. Mr. Steinacher said YTD contributions were \$56.08 million of which rollover contributions were \$7.07 million. Ms. Kaup provided information on withdrawal and investment change activity. She also presented information on website messaging, emails to account owners and account statement inserts regarding Covid-19 communications. 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 April 30,2020. He stated that U.S. equity markets had a strong recovery in April following the first quarter sell off. He said that small cap stocks modestly outperformed large cap stocks, growth continues to outperform value and the top performing sectors were energy and consumer discretionary. Mr. Noe stated that non-U.S. markets, fixed income and REITS also had a strong recovery in April while commodities struggled. He provided a first quarter summary of the individual fund portfolios for both the Direct and Advisor Plans and discussed fund performance. He stated that the target portfolios for both Plans had negative returns and that nearly all active fixed income managers underperformed during the quarter. He highlighted the PIMCO Short-Term Bond fund, the MainStay Total Return fund, Fidelity and the Templeton International Bond fund for notably underperforming their respective benchmarks. Mr. Noe also highlighted DFA strategies and Dodge & Cox as value equity managers that underperformed during the first quarter. Active real estate and several growth-oriented managers outperformed including Principal Global Real Estate and DFA Real Estate funds. Given the COVID-19 situation, he also discussed areas of focus that Wilshire is researching on managers including their continuation plans, relative investment performance and business/organization risk. The written report was received as informational.

Chair McMillan called on Annoesjka West and Todd Carabasi with Callan to present the consultant's report. Mr. Carabasi discussed the T. Rowe US Large Cap Growth division announcement of the associate portfolio manager change from the US Large-Cap Growth Equity Strategy to the US Large-Cap Core Equity Strategy to support the growing franchise and its expanding institutional requirements. The portfolio manager of the US Large-Cap Growth Strategy will remain in place and continue to be supported by a longtime portfolio specialist. Ms. West discussed the Watch List. She stated Callan recommended adding the American Century Short Duration Inflation Protection Bond fund (Advisor Plan) and the DFA Large Cap Value fund (Advisor and Direct Plan) due to performance issues. Callan also recommended removing the Credit Suisse Commodities fund (Advisor Plan) due to improved performance. Ms. West said that Callan recommends the DFA U.S. Small Cap Value fund (Direct Plan), the Doge & Cox International Stock Fund (Direct Plan), the BlackRock Inflation-protected Bond fund (Advisor Plan), the Touchstone High Yield fund (Advisor Plan), the American Century Equity Growth fund (Advisor Plan), William Blair Small Cap Value fund (Advisor Plan), Templeton Global Bond fund (Advisor Plan) remain on the Watch List. Mr. Hughes asked Callan to provide additional information on the Templeton Global Bond fund at the August board meeting. A motion to approve the Watch List was made by Mr. Hughes, seconded by Dr. Tucker, with unanimous approval.

Chair McMillan called on Ms. West to present the updated Investment Policy Statement. She summarized the changes including updated asset allocation of the different age-based portfolios to reflect current asset classes and allocations and the removal of the individual list of investment managers for both plans. A motion to approve the resolution to accept the updates to the Investment Policy Statement as presented was made by Mr. Hughes, seconded by Ms. Lee, with unanimous approval.

Chair McMillan called on Mr. Steinacher to discuss an FDIC-Insured Savings option as an investment option for both plans. He stated that it would be an individual Fund Portfolio Option and FDIC insured up to \$250,000 at the account owner level. A motion to approve the resolution to offer a FDIC Insured Bank Savings option to all CollegeCounts participants was made by Mr. Hughes, seconded by Mr. Reifenberg, with unanimous approval.

Chair McMillan asked Mr. Steinacher to discuss the updates to the Program Disclosure Statement. He stated that the PDS would be effective July 1, 2020 and would update qualified withdrawals to include apprenticeship programs and student loans, incorporate recent fund changes, addition of the FDIC Insured Bank Savings option, updated performance, updated Plan fees section and the addition of convertible C shares. The Board's legal counsel has not yet reviewed the recommended changes to the PDS. Chair McMillan presented a proposed resolution to approve the updated Program Disclosure Statement with review and recommendations by the Board's legal counsel and consultation with Union Bank and Trust and allow the Chair to take any and all such actions necessary or proper in order to effectuate the intent of the resolution. A motion to approve the resolution was made by Dr. Tucker, seconded by Mr. Knight, with unanimous approval. Key updates to the PDS will be shared with the Board at the next meeting.

Chair McMillan called on Ms. Kelley to review the proposed payout for the 2020-21 Scholarship Program, as calculated using the Board's approved method. A motion was made by Mr. Knight to approve the resolution authorizing up to \$1,413,029 to be distributed

in scholarships for the 2020-21 academic year, seconded by Mr. Hughes, with unanimous approval.

Chair McMillan discussed the responses received from the Investment Consultant Request for Proposal. He stated that the current contract with Callan expires on 09/30/2020 and two responses were received from Callan and Meketa Investment Group. The RFP committee met on 05/08/2020 to review the responses and again before today's board meeting. On behalf of the committee, Mr. Hughes recapped the committee's discussions. A motion to select Callan as the Board's investment consultant for five years was made by Mr. Hughes, seconded by Ms. Lee, with unanimous approval.

Chair McMillan stated that the regular legislative session was shortened due to the COVID-19 pandemic. As a result, the legislation presented to clarify the use of 529 funds passed the House but was unable to get presented to the Senate. He noted that we plan to present again next year.

Chair McMillan called on Ms. Story to give an update on program manager contract negotiations with Union Bank and Trust. She noted that she and the Board's counsel, Chris Simmons, have had several calls with Union Bank and their counsel. She recapped changes from the current contract to the new contract. The contract is expected to be finalized within two weeks.

There being no further business, a motion to adjourn was made by Chair McMillan, seconded by Dr. Tucker, with unanimous approval. The meeting adjourned at 10:31 a.m.

Anita Kelley, Director

John McMillan, Chair