

**Savings Board of Directors Board Meeting
June 12, 2019
MINUTES**

Board Present:

Chair John McMillan
Mr. Jack Knight (phone)
Mr. Edward Reifenberg
Ms. Heidi Lee
Dr. Ken Tucker
Mr. Dennis Beavers
Mr. Daniel Hughes
Dr. Jim Purcell

Board Absent:

Mr. Ronald Stokes
Mr. Jimmy Baker
Lt. Gov. Ainsworth

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 (phone)
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 June 12, 2019.

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

Roll was taken with a quorum present.

Chair McMillan reappointed Jack Knight as Vice Chair of the Board.

Chair McMillan presented the minutes of the February 20, 2019 board meeting. A motion for approval was made by Mr. Knight, seconded by Mr. Reifenberg, 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 03/31/19 there were \$874,464 in assets and 191 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.

Chair McMillan called on Anita Kelley to give the program report. Ms. Kelley provided information on the budget for fiscal year 2019 and discussed a spreadsheet showing the Statement of Cash Flows for the scholarship program that showed the balance in the account was \$12,617,432 as of 03/31/2019. Ms. Kelley provided a report for the CollegeCounts Scholarship program showing the total number of applications received and awarded for 2019-20. 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 93,279 active accounts with total assets in the plan of \$1.76 billion. This represents a 9.1% increase YTD. He stated the number of Alabama account holders is 55,738 with \$990.1 million in plan assets. This is a 11.3% increase YTD. Mr. Steinacher said YTD contributions were \$47.6 million of which rollover contributions were \$6.71 million. He stated that 68.5% 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 \$20,611. Mr. Steinacher also provided detailed information on new account statistics, distributions and market values of the investments. Mr. Steinacher called on Cari Kaup to provide information on the call center, web activities and grass roots efforts. The written report was received as informational.

Chair McMillan called on Rob Noe and John Nagle of Wilshire Associates for the investment performance report. Mr. Nagle provided commentary on the economy including the U.S. and international equity markets, as well as, the fixed income, real estate and commodity markets. Mr. Noe 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, DFA U.S. Large Cap Value Fund-Term Fund, Vanguard Explorer Fund, and MainStay Total Return Bond Fund within the Direct Plan and said all other funds performed well or in line with their respective benchmark. In terms of the Advisor Plan, Mr. Noe noted the strong relative performance of the PIMCO Short-Term Fund, Fidelity Advisor Investment Grade Fund, MainStay Total Return Bond Fund, Touchstone High Yield Fund, Templeton International Bond Fund, William Blair Small Cap Value Fund, Neuberger Berman International Large Cap Fund, and American Century Equity Growth Fund and the weak relative performance of the T. Rowe Price Large Cap Growth Fund and DFA US Large Cap Value Fund. 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 gave an update on manager and product changes that included the reclassification of the Vanguard Growth Index Fund and Vanguard Mega Cap Growth Index Fund as non-diversified. He said that Vanguard has stated that these changes will not affect the investment objective or strategies of either fund. Ms. West discussed the Watch List and stated that there are no recommendations for additions or removals from the current Watch List at this time. She said all funds currently on the Watch List are recommended to remain at this time which include BlackRock Inflation-protection Bond Fund, DFA U.S. Small Cap Value Fund, Dodge & Cox International Stock Fund, Touchstone High yield Fund, American Century Equity Growth Fund, William Blair Small Cap Value Fund, Voya Global Real Estate Fund, and Lazard Emerging Markets Fund. The Voya Global Real Estate and Lazard Emerging Markets Funds were terminated on 04/09/19 and replaced with the Principal Global Real Estate Securities Fund and Vanguard Emerging Markets Select Stock Fund, respectively. A motion to approve the Watch List recommendations was made by Mr. Beavers, seconded by Mr. Hughes, with unanimous approval.

Ms. Kelley discussed a handout concerning the calculation of payout for the 2019-20 Scholarship Program. After thorough discussion, a motion was made by Mr. Hughes to approve the resolution authorizing \$1,306,531 to be distributed in scholarships, seconded by Mr. Beavers, with unanimous approval.

Chair McMillan called on Ms. Story and Ms. Kelley to give a Program Manager RFP response summary. Ms. Story presented the Board with a detailed summary. Ms. West presented and discussed a Fee Review performed by Callan that compares Program Management and Administrative Fees among other 529 plans. Staff was encouraged to contact the respondent for clarification on certain issues, and for the firm to present the proposal at the August meeting.

Chair McMillan noted that the College Savings Market Report by AKF Consultants was included in the Board package.

Chair McMillan present Mr. Beavers with a Proclamation commending him for his service to the programs and expressing deep appreciation for his dedication to the advancement and improvement of higher education and assisting individuals with disabilities to maintain health, independence and quality of life while being an active Board member since 2011.

There being no further business, a motion to adjourn was made by Ms. Lee, seconded by Dr. Tucker, with unanimous approval. The meeting adjourned at 11:05 a.m.

Anita Kelley, Director

John McMillan, Chair