Savings Board of Directors Board Meeting
August 23, 2023
MINUTES

Board Present:
Chair Young Boozer – in person
Mr. Edward Reifenberg – virtual
Mr. Ronald Stokes – virtual
Mr. Stephen Eberhart - virtual
Mr. Daniel Hughes - virtual
Dr. Ken Tucker – in person
Ms. Susan Tully – virtual
Dr. Jim Purcell – in person
Ms. Sara Calhoun for Mr. Jimmy Baker – virtual

Board Absent:
Lt. Gov. Ainsworth
Mr. Jack Knight

Others Present:
Ms. Anita Kelley, Program Director – in person
Mr. Chad Wright, Assistant Treasurer – in person
Ms. Glenda Allred, Deputy Treasurer – in person
Ms. Daria Story, Deputy Treasurer – in person
Ms. Kayla Bankston, Treasury – in person
Mr. Jay Steinacher, Union Bank & Trust – in person
Ms. Cari Kaup, Union Bank & Trust – in person
Ms. Annoesjka West, Callan- in person
Ms. Paola Cardenales, Callan – in person
Mr. Rob Noe, Wilshire Associates - virtual
Mr. John Nagle, Wilshire Associates - virtual
Mr. Daniel Nzouankeu, Vestwell – in person
Mr. David Bell, Vestwell – in person
Mr. Michael Parker, Vestwell – in person

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 August 23, 2023, with participation also allowed by electronic means in accordance with §16-33C-4 (f), Code of Alabama, as amended.

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

Chair Boozer introduced new board member Stephen Eberhart.

Roll was taken with a quorum present.

I. Chair Boozer presented the minutes of the May 24, 2023 Board meeting. A motion for approval was made by Dr. Tucker, seconded by Dr. Purcell, with unanimous approval.

II. Alabama ABLE Savings Plan

A. Quarterly Reports

1. Vestwell Quarterly Report - Chair Boozer called on Daniel Nzouankeu to present the quarterly ABLE report. Mr. Nzouankeu stated that as of 6/30/23 there were $3,083,117 assets under management, 670 funded accounts, and $37,938 in rollover contributions for this quarter. He discussed demographic information regarding the beneficiaries and reported on call center operations and statistics. The report was received as informational.

2. Program Report - Ms. Kelley provided investment information for the program and gave an update on marketing efforts and program activities from the past quarter and upcoming events that she will attend. The report was received as informational.

B. Decision Item – FY 2024 Marketing RFP

1. Ms. Kelley stated an RFP for marketing services for ABLE was issued on 6/20/23 to 198 firms. She said 16 responses were received from various marketing firms. Ms. Kelley said the Treasurer's office is reviewing all responses and will schedule interviews with selected firms.

2. Ms. Kelley presented a resolution for consideration approving the Treasurer's office to interview potential firms and subsequently authorizing the Treasurer to select a firm with the expertise, ability, and professional skill necessary to best meet the current needs and best interest of the Program. The resolution also authorizes the Treasurer to negotiate and execute a contract with the selected firm for a period of five years. A motion for approval was made by Dr. Purcell, seconded by Dr. Tucker, with unanimous approval.

III. CollegeCounts 529

A. Quarterly Reports

1. Program Report - Chair Boozer called on Anita Kelley to give the program report for CollegeCounts. She provided information on the budget. She discussed a spreadsheet showing the Statement of Cash Flows for the scholarship program that showed the balance in the account was $14,970,789 as of 6/30/23. She also gave an update on scholarship applications received for the upcoming academic year as well as demographic information on the students. Ms. Kelley and Ms. Kaup gave an update on marketing activities and provided a breakdown of the annual marketing budget with Big Communications. The written report was received as informational.

2. Union Bank and Trust Plan Overview & Statistics - Chair Boozer called on Jay Steinacher and Cari Kaup with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 114,964 active accounts with total assets in the plan of $2.374 billion. This represents a 4.2% increase for the quarter and a 9.8% increase YTD. He stated the number of Alabama account holders is 74,034 with $1.625 billion in plan assets. This is a 5.1% increase for the quarter and 12.1% increase YTD. Mr. Steinacher said YTD contributions were $100.9 million, of which rollover contributions were $10.65 million. Ms. Kaup provided detailed information on assets, accounts, investments, contributions, and withdrawals. She 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.

3. Wilshire Investment Performance - Chair Boozer called on Rob Noe 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 6/30/23 as well as 7/31/23. He provided the quarterly performance summary of individual fund portfolios for both the Direct and Advisor Plans and discussed fund performance. He stated that the target portfolios for the Direct Plan had positive absolute and relative performance. Active fixed income managers had mostly positive relative performance, active U.S. equity managers saw mixed performance, and active international equity managers outperformed. He highlighted outperformers Dodge & Cox International Stock, T. Rowe Price Large Cap Growth, DFA Small Cap Value, and underperformer Vanguard Explorer. Regarding the Advisor Plan, he stated that target portfolios had positive absolute performance. Active fixed income managers had mixed performance while active U.S. equity managers and active international equity managers had mixed relative performance. Mr. Noe highlighted outperformers Vanguard Emerging Markets Select Stock, and T. Rowe Price Large Cap Growth, and underperformers DFA Real Estate and AB Global Bond. Mr. Noe discussed CollegeCount's exposure to regional banks and office REITs at the request of the Board during the May 2023 Board Meeting. He presented a table that showed the Plans' U.S. equity fund exposure to regional banks and explained when considering the assets in both Plans, the exposures are fairly modest and not concerning. Mr. Noe also showed a table showing the Plans' exposure to office REITs and said the exposures are also small and not concerning when considering the total assets. The written report was received as informational.

4. Callan Consultant's Report – Chair Boozer called on Annoesjka West with Callan to present the Consultant's Report. Ms. West reviewed a Manager update regarding PGIM. She stated the Senior Portfolio Manager departed PGIM and the responsibilities will be assumed by the remaining members of the multi-sector team. While the departure is notable, it is not actionable. She said that PGIM's

investment grade multi-sector team remains deep, and its lead portfolio managers have a long history of working together providing strong continuity. The departure does not reflect negatively on team dynamics or PGIM's ability to appropriately compensate and retain talent.

B. Decision Items

1. Approval of Watch List Recommendations - Ms. West presented the Watch List and stated Callan recommends the addition of Principal Global Real Estate Fund (Advisor Plan – underlying fund) to the Watch List due to underperformance. The Fund has underperformed the benchmark for both the quarter and the three-year period and ranks in the 78th percentile of peers. She said that Callan also recommends the Northern Trust Small Cap Value (Advisor Plan – underlying fund) and T. Rowe Price Balanced Fund (Advisor and Direct Plans) remain on the Watch List. A motion to approve the Watch List as presented was made by Dr. Tucker, seconded by Mr. Hughes, with unanimous approval.

2. Review of Commodities Funds

a. Fund Details and Performance – At the request of the Board during the May 2023 Board meeting, Wilshire and Callan presented four funds for consideration to replace the Credit Suisse Commodity Return Strategy. Mr. Noe presented information of the details and exposures of each fund. Mr. Noe and Ms. West noted the trailing performance of each fund as of 6/30/23 and discussed their strengths and weaknesses. Discussion ensued regarding the performance and fees of both the Parametric Commodity Strategy and the Vanguard Commodity Strategy Fund.

b. Consideration of Proposed Resolution – Due to the long track record with strong relative performance, a motion to replace the Credit Suisse Commodity Return Strategy with the Parametric Commodity Strategy was made by Mr. Hughes, seconded by Dr. Tucker, with unanimous approval.

3. Consideration of Scholarship Payout

a. Scholarship Payout Calculation - Chair Boozer called on Ms. Kelley to review the proposed payout for the 2024-25 Scholarship Program, as calculated using the Board's approved method adopted at the May 16, 2018 Board meeting.

b. A motion was made by Dr. Hughes to approve the resolution authorizing up to $1,189,338 to be distributed in scholarships for the 2024-25 academic year. Dr. Purcell seconded the motion, with unanimous approval.

C. Informational Item – Mr. Steinacher discussed a zero-day exploit within the MOVEit Transfer software. While Union Bank and Trust uses this software, CollegeCounts 529 account owners and beneficiaries were not at risk as information pertaining to CollegeCounts is not stored within the MOVEit transfer application.

IV. There being no further business, a motion to adjourn was made by Mr. Hughes, seconded by Mr. Stokes with unanimous approval. The meeting adjourned at 10:25 a.m.

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Anita Kelley, Director

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Young Boozer, Chair