

**Savings Board of Directors Board Meeting
May 16, 2018
MINUTES**

Board Present:

Chair Young Boozer
Ms. Sara Calhoun for Mr. Jimmy Baker (by phone)
Mr. Jack Knight (by phone)
Mr. Edward Reifenberg
Mr. Daniel Hughes
Dr. Jim Purcell
Ms. Heidi Lee

Board Absent:

Mr. Chess Bedsole
Mr. Ronald Stokes
Mr. Dennis Beavers
Dr. Ken Tucker

Others Present:

Ms. Daria Story, Assistant Treasurer
Ms. Glenda Allred, Deputy Treasurer
Ms. Anita Kelley, Program Director
Mr. Jay Steinacher, Union Bank & Trust
Ms. Cari Kaup, Union Bank and Trust
Ms. Annoesjka West, Callan
Mr. Todd Carabasi, Callan
Mr. Rob Noe, Wilshire Associates (by phone)
Mr. John Nagle, Wilshire Associates (by phone)
Ms. Rachel Biar, Nebraska Enable (by phone)
Ms. Deborah Goodkin, Nebraska Enable (by 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 May 16, 2018.

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

Chair Boozer introduced new board member Ms. Heidi Lee.

Roll was taken with a quorum present.

Chair Boozer presented the minutes of the February 21, 2018 board meeting. A motion for approval was made by Mr. Hughes, seconded by Dr. Purcell, with unanimous approval.

Chair Boozer called on Anita Kelley to give the program report. Ms. Kelley provided a spreadsheet on the administrative fund with a listing of the budget and YTD expenses. She also provided a Statement of Cash Flows for the scholarship program and stated that the balance in that account is \$12,245,484 as of 3/31/2018. The report was received as informational.

Chair Boozer called on Glenda Allred to present the scholarship report. Ms. Allred presented a recap of the 2018-19 scholarship award period noting the number of applications submitted and completed increased from the prior three years. She also presented spreadsheets showing where the recipients plan to attend school as well as their county of residence. The report was received as informational.

Chair Boozer called on Jay Steinacher with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 94,379 active accounts with total assets in the plan of \$1.67 billion. This represents a 1.0% increase YTD. He stated the number of Alabama account holders is 50,855 with \$878.7 million in plan assets. This is a 2.6% increase YTD. Mr. Steinacher said total contributions for the first quarter were \$52.2 million of which total rollover contributions were \$7.5 million. He stated that 69% of all Direct accounts and 72.5% 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. Mr. Steinacher provided detailed information on new account statistics, distributions and market values of the investments. Mr. Steinacher called on Cari Kaup to provide information on call center, web activity and grass roots efforts. She stated that YTD, the call center had received 11,622 calls with an average answer speed of 1 minute and 17 seconds. The written report was received as informational.

Chair Boozer called on Rob Noe and John Nagle of Wilshire Associates 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 also 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 strong relative performance of the T. Rowe Price Large Cap Growth Fund, the T. Rowe Price Balanced 529 Portfolio and the Vanguard Explorer 529 Portfolio within the Direct Plan. In terms of the Advisor Plan, Mr. Noe stated the lead portfolio manager left the BlackRock Inflation-Protected Bond 529 Portfolio. He stated that while the co-pm remains it is a notable change and Wilshire has downgraded the fund from the 4th decile to the 5th decile. Mr. Noe said that the allocation in the fund is \$2.1 million and that other options could be considered. He noted the weak relative performance of the Templeton International Bond Fund and the William Blair Small Cap Value 529 Portfolio. Conversely, Mr. Noe highlighted the strong relative performance of the T. Rowe Price Balanced 529 Portfolio, the American Century Equity Growth 529 Portfolio and the Neuberger Berman Int'l Large Cap 529 Portfolio. The report was received as informational.

Chair Boozer called on Annoesjka West and Todd Carabasi with Callan to present the consultant's report. Ms. West gave an update on manager and product changes. She

spoke of changes in key leadership appointments in Vanguard and reporting lines in Northern Trust Global as well as the change in the lead portfolio manager for the BlackRock Inflation-Linked Bond Portfolios. She stated that while these changes are notable, they are not a cause for concern. At the previous Board meeting, Callan informed the Board that the Vanguard REIT Index Fund changing its name to the Vanguard Real Estate Index Fund and changing its objective from the MSCI US REIT index to the MSCI US Investable Market Real Estate 25/50 Index. The Board had expressed an interest in understanding the differences between the two benchmarks. Ms. West presented a handout that gave descriptions of both indexes and compared both in multiple categories. Mr. Carabasi reviewed the Watch List. He stated that Callan recommends the William Blair Small Cap Value (Advisor Plan) be added to the Watch List due to underperformance and the T. Rowe Price Real Estate (Advisor Plan) be removed from the Watch List. Mr. Carabasi said Callan recommends the BlackRock Inflation-protected Bond Fund (Advisor Plan), the Touchstone High Yield Fund (Advisor Plan), the Templeton International Bond Fund (Advisor Plan), the American Century Equity Growth Fund (Advisor Plan), the Voya Global Real Estate Fund (Advisor Plan), the T. Rowe Price Real Estate (Advisor Plan) and the Lazard Emerging Markets (Advisor Plan) remain on the Watch List. A motion to approve the Watch List recommendations was made by Dr. Purcell, seconded by Mr. Hughes, with unanimous approval.

Chair Boozer discussed a handout concerning the calculation of payout for the Scholarship Program for consideration by the Board. A motion was made to approve the payout calculation as presented by Ms. Lee, seconded by Mr. Hughes, with unanimous approval.

Chair Boozer called on Mr. Steinacher to discuss a memo regarding the updates to the Program Disclosure Statement for the Direct and Advisor Plans. The most notable updates included the December 2017 changes regarding K-12 expenses and ABLE rollover language, the annual exclusion amount increasing from \$14,000 to \$15,000, and pending Board approval, increasing the maximum account balance limitation from \$400,000 to 475,000.00. Chair Boozer presented a proposed resolution to approve and authorize the updates to the Program Disclosure Statements. A motion to adopt the resolution as presented was made by Dr. Purcell, seconded by Mr. Hughes, with unanimous approval.

Chair Boozer called on Jay Steinacher to present a memo regarding an increase in the Plan Maximum Account Balance Limit from \$400,000 to \$475,000. Mr. Steinacher discussed the memo which included current beneficiary balances, other state 529 maximum balances, and an analysis of both undergraduate and graduate school costs. He stated that Union Bank and Trust recommended the proposed increase. Chair Boozer presented a proposed resolution to approve the increase in the Maximum Account Balance Limit. A motion to approve the resolution as presented was made by Mr. Hughes, seconded by Ms. Calhoun, with unanimous approval.

Chair Boozer called on Rachel Biar and Deborah Goodkin with Enable Savings Plan to present the quarterly report by phone. Ms. Biar and Ms. Goodkin presented numbers

on the total assets and accounts. Ms. Goodkin stated that as of 3/31/18 there were \$285M in assets and 104 active accounts and showed the breakdown in which the assets have been invested and the investment returns. Ms. Goodkin 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. Biar and Ms. Goodkin spoke about the marketing materials and outreach efforts. The report was received as informational.

There being no further business, a motion to adjourn was made by Ms. Calhoun, seconded by Ms. Lee, with unanimous approval. The meeting adjourned at 10:45 a.m.

Anita Kelley, Recording Secretary

Young Boozer, Chair