

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
MINUTES
May 23, 2023**

Present:

Treasurer Young Boozer, Chair – in person – arrived at 11:15 am
Gen. Paul Hankins – in person
Mr. Marc Green for Dr. David Bronner – in person
Mr. Taylor Nichols for Mr. Bill Poole – in person
Ms. Sara Calhoun for Jimmy Baker - virtual
Dr. James Purcell – in person
Dr. Ken Tucker – virtual
Judge JC Love – virtual
Mr. Wes Lambert - virtual
Mr. Tommy Dismukes – in person
Ms. Annie Furrer - virtual

Absent:

Rep. Danny Garrett
Mr. Jay Hare
Mr. Will Martin
Sen. Donnie Chesteen

Others present include:

Mr. Chad Wright, Assistant Treasurer – in person
Ms. Anita Kelley, Program Director – in person
Ms. Kayla Bankston, PACT – in person
Mr. Dan Sherman, Sherman Actuarial Services - virtual
Mr. R.J. Williams, Regions Bank - in person
Mr. Robert Richardson, Regions Bank – in person

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the RSA Union Conference Room in Montgomery, AL on May 23, 2023, with participation also allowed by electronic means in accordance with §36-25A.5.1, Code of Alabama, as amended.

The meeting was called to order by Vice Chair Hankins at 11:00 a.m.

Roll was taken with a quorum present.

1. Approval of Board Meeting Minutes – Vice Chair Hankins presented the minutes of the February, 2023 board meeting. A motion for approval of the minutes as presented was made by Dr. Purcell, seconded by Dr. Tucker, with unanimous approval.

2. Quarterly Reports

- A. Program Report – Vice Chair Hankins asked Anita Kelley for a program report. Ms. Kelley provided information on program activities, plan assets, revenues and disbursements, and the budget for the current fiscal year. She discussed tuition payments and stated the program paid out benefits in the amount of \$25.9 million to 5066 students from 10/01/22 through 3/31/2023 and noted that the number of active accounts is 6,960. She also stated the dollar amount of cumulative benefits paid since inception was \$1,292,792,766 in tuition and \$39,275,828 in qualified fees. First Time in College Letters were mailed on February 28 to every beneficiary with a projected enrollment year of 2023. Annual Statements were also mailed on March 6. The report was received as informational.
- B. Investment Report – Vice Chair Hankins called on R.J. Williams to present the quarterly investment report. Mr. Williams gave a thorough economic and financial market update and discussed an overview and outlook for fixed income and equities. He provided information on the asset value of the portfolio and discussed the performance of the portfolio including the money market fund and fixed income. He stated returns for the quarter for the money market fund were 1.11% and 1.34% for the fixed income portfolio with a 1.31% rate of return for the consolidated portfolio. The report was received as informational.
- C. Actuary Report – Vice Chair Hankins called on Dan Sherman to present the quarterly actuary report. Mr. Sherman stated the asset value as of 3/31/23 is \$232,077,575. He noted the funded ratio was 213.5% compared to the 09/30/22 funded ratio of 179.8%. He reviewed a spreadsheet of the projected cash flows, assets, and liabilities through year 2032. The report was received as informational.

3. Decision Items

A. Consideration of Tuition and Fee Adjustment Rate

- 1. Tuition Payments Increase Report - Chair Boozer called on Mr. Sherman to present and discuss an actuarial projection for increasing PACT benefit payments. The scenario presented would increase benefit payments by 23% which would bring all in state schools to full tuition assuming no institution increased their tuition costs for the 2023-24 academic year by more than 5%. Mr. Sherman reviewed how the proposed increase would affect the funded ratio and the cash flow in future years. He stated that the program, with the increase proposed, would be actuarially sound.
- 2. Consideration of Proposed Resolution - After a thorough discussion of the proposed increase, Chair Boozer presented a proposed resolution for consideration to approve a 23% adjustment rate in PACT benefit payments payable for the 2023 fall term. A motion to approve the

resolution was made by Vice Chair Hankins, seconded by Mr. Dismukes, with unanimous approval.

B. Financial Auditor

1. Jackson Thornton Withdrawal Letter – Ms. Kelley presented a letter from Jackson Thornton that documented their withdrawal from the contract between PACT and Jackson Thornton effective for the audit period ending September 30, 2022 due to independence issues in accordance with Section 1(i) of the contract. Jackson Thornton was unable to perform the FY 2022 audit due to the independence issue.

2. Summary of Kassouf & Co. Response – Ms. Kelley presented a memo to the Board documenting the withdrawal of Jackson Thornton and the establishment of an emergency contract between PACT and Kassouf & Co. to perform the services for the audit period ending September 30, 2022. The memo also detailed the issuance of an RFP for financial auditor on February 1, 2023. The Treasurer's office received one response from Kassouf & Co. Ms. Kelley presented a summary of the response which included the proposed fee structure for the next five years.

3. Consideration of Proposed Resolution – Chair Boozer presented a proposed resolution for consideration to contract with Kassouf & Co. for financial auditing purposes with a term of five years. A motion to approve the resolution was made by Dr. Purcell, seconded by Mr. Dismukes, with unanimous approval.

C. Domestic Fixed Income Management Services RFP

1. Summary of Responses - Ms. Kelley stated that the current contract with Regions for domestic fixed income management services expires on September 30, 2023. An RFP for domestic fixed income management services was issued on April 12, 2023. The Treasurer's office received 22 responses. Ms. Kelley presented a summary of responses received.

2. Consideration of Proposed Resolution - After thorough discussion, Chair Boozer presented a proposed resolution for consideration to contract with Regions Bank for domestic fixed income management services for the next five years. A motion for approval was made by Gen. Hankins, seconded by Dr. Tucker, with unanimous approval.

4. Informational Items

A. Estimated Tuition Discount and Contract Rate of Return - Chair Boozer presented a spreadsheet concerning the estimated tuition discount and contract rate of return for Auburn University with matriculation dates from 2010 to present. The spreadsheet assumes an average age of the beneficiary being six years old and matriculating at age eighteen. The purchase price is listed as a single payment and payment is based off of 12 hours taken in the fall and spring terms.

The report lists the purchase price, tuition amount charged by the institution, and PACT payment to the institution and then calculates the rate of return of PACT payments to purchase price as well as the rate of return of tuition cost to purchase price. The report was received as informational.

B. Libera Notice of Change in Control – Ms. Kelley presented a memo from Libera stating they had entered into a Share Purchase Agreement with Tideshift. Although there will be a change in equity ownership of the company, the transaction will not change the fact that Libera will remain a party to our contract and none of the terms of the contract will be affected.

5. There being no further business, a motion to adjourn was made by Gen. Hankins, seconded by Mr. Dismukes, with unanimous approval. The meeting adjourned at 11:42 a.m.

Anita Kelley, Director

Young Boozer, Chair