

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM
MEETING OF THE BOARD OF DIRECTORS
MINUTES
May 24, 2022**

Present:

Treasurer Young Boozer, Chair
Dr. Ken Tucker
Mr. Marc Green for Dr. David Bronner
Mr. Jimmy Baker
Mr. John Montgomery for Mr. Bill Poole
Dr. James Purcell
Mr. Robert Bradley
Mr. Jason Alderman
Mr. Tommy Dismukes
Gen. Paul Hankins
Mr. Mark Knight

Absent:

Sen. Garlan Gudger
Ms. Michelle Granberry
Sen. Donnie Chesteen
Rep. Danny Garrett

Others present include:

Ms. Daria Story, Assistant Treasurer
Ms. Glenda Allred, Deputy Treasurer
Ms. Anita Kelley, Program Director
Mr. Chad Wright, Unclaimed Property Director
Ms. Kayla Bankston, PACT
Mr. Dan Sherman, Sherman Actuarial Services by Zoom
Mr. George McCurdy, Regions Bank
Mr. Robert Richardson, Regions Bank

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 24, 2022.

The meeting was called to order by Chair Young Boozer at 11:00 a.m.

Roll was taken with a quorum present.

1. Chair Boozer presented the minutes of the August 17, 2021 board meeting. A motion for approval of the minutes as presented was made by Gen. Hankins, seconded by Dr. Tucker, with unanimous approval.
2. Chair Boozer stated that May is the 11th anniversary of the settlement agreement. On May 2, 2022, PACT received the prepayment of the future years' appropriated education trust fund monies in the amount of \$177,373,600. He

stated that 11 years ago he described PACT in terms of air travel and that at one point there wasn't enough fuel to make our destination which is graduation for all PACT beneficiaries. With the prepayment of the ETF monies, PACT has refueled, and the destination is in sight.

3. Quarterly Reports

- A. Program Report - Chair Boozer 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 \$15.1 million to 3,193 students from 01/1/22 through 03/31/2022 and noted that the number of active accounts was 8,948. First Time in College Letters were mailed on 3/8, Soon to Expire Letters were mailed on 3/10, and Annual Statements were mailed on 3/18. The report was received as informational.
- B. Investment Report - Chair Boozer called on George McCurdy and Rob Richardson with Regions Bank to present the quarterly investment report. Mr. McCurdy gave an economic and financial market update. He discussed 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 .01% and -1.51% for the fixed income portfolio. The report was received as informational.
- C. Actuarial Report - Chair Boozer called on Dan Sherman with Sherman Actuarial Services to present the quarterly actuarial report. He stated the asset value as of 03/31/22 was \$76,769,289 and noted the funded ratio was 130.2% compared to the 09/30/21 ratio of 119.8%. He reviewed a spreadsheet of the projected cash flows, assets, and liabilities through year 2032. Mr. Sherman also provided a summary of results showing the total costs to maintain the program as of 03/31/22 that included the prepayment of the Education Trust Fund payments received on 05/02/2022. This table showed an increase in the funded ratio of 139.1%. Also provided was an updated spreadsheet of the projected cash flows, assets, and liabilities through year 2032 with the inclusion of the prepaid ETF payments. The report was received as informational.

4. Decision Items

- A. Chair Boozer discussed several documents related to the ETF prepayment and the investment management of those funds. The first document was HB-138 that authorized the prepayment of the \$177,373,600 which was received on 05/02/2022. Next, he reviewed the resolution that was approved at the August 2020 Board meeting that authorized the transition of the investment portfolio into cash equivalent funds over the next few years to meet the actuarial cash flow projections in order to pay tuition and fee benefits. Next, he reviewed the asset allocation section of the Investment Policy and Guidelines Statement that was approved at the November 2018 Board meeting. With the program receiving the prepayment of the ETF appropriations, the cash flow needs have changed. Chair Boozer presented

a proposed resolution that would rescind the resolution approved at the August, 2022 Board meeting regarding the transition of the portfolio into cash equivalent funds and fully reinstates the Investment Policy and Guidelines Statement dated November 14, 2018 where the asset allocation is comprised of short duration fixed income and cash and cash equivalents and directs Regions to manage the assets accordingly. A motion to approve the resolution was made by Dr. Tucker, seconded by Gen. Hankins, with unanimous approval.

- B. Mr. Sherman presented and discussed several actuarial projections for increasing PACT benefit payments. He reviewed how each scenario would affect the funded ratio and the cash flow in future years. Mr. Sherman also presented a list of all in-state four-year schools with the cost of tuition for enrollment if a student takes 12 hours, the amount PACT pays towards those 12 hours, and any shortfall between the two. Mr. Sherman explained that PACT is currently paying full tuition at many of the in-state four-year schools. He reviewed a spreadsheet that detailed the number of credit hours paid by PACT, the hourly rate paid by PACT at 12 credit hours per semester, and the estimated total paid by PACT for 2021-22. The table also included estimated payments for 2022-23 with a 24% benefit increase along with a 4% tuition increase by the schools. The net result of a 24% rate adjustment this scenario shows an effective 6.23% increase in overall payments due to the number of schools that are currently at 100% paid benefits. After thorough discussion of each scenario, Chair Boozer presented a proposed resolution for consideration to approve a 24% adjustment rate in PACT benefit payment payable for the 2022-23 academic year. A motion to approve the resolution was made by Dr. Purcell, seconded by Dr. Tucker, with unanimous approval.
- C. Ms. Kelley presented a document outlining a modification to the GAX Interface in order to process warrants through the State's accounting system ("STAARS"). She explained that modifications were made to STAARS affecting the PACT Interface Maps which has caused a communication issue between the Libera software and STAARS. The cost of the modification will be \$5,000 payable to Libera. The contract with Libera allows for subsequent customized system changes upon the approval of the Board. Ms. Kelley presented a proposed resolution that would approve Libera to complete the modification to the GAX Interface. A motion to approve the resolution was made by Dr. Tucker, seconded by Gen. Hankins, with unanimous approval.
- D. Ms. Kelley presented information regarding a petition from a beneficiary requesting a two-year extension be allowed on the account that will expire in August of this year. A summary of the petition was provided. Discussion ensued regarding the request. A motion to deny the request was made by Gen. Hankins, seconded by Mr. Bradley, with unanimous approval. A second petition from a beneficiary requesting a two-year extension be allowed on the account that expired in August of 2021. A summary of the petition was provided. Discussion ensued regarding the request. A motion to deny the request was made by Mr. Bradley, seconded by Mr. Green, with unanimous approval. Both petitioners will be notified by letter of the Board's decisions.

5. Informational Items

A. Treasurer Boozer presented SB147 which allows for virtual meetings to be held as long as three people are in person at the central location the meeting is being held. PACT will be able to operate under SB147 starting at the August 2022 meeting.

B. Chair Boozer stated that a majority of the Board member terms expire on 6/1/2022. The various appointing authorities have been notified of the expiring terms and will provide their appointments as soon as possible. He thanked the Board for their work and dedication.

C. Chair Boozer presented the November 16, 2021 Meeting Notes.

D. Chair Boozer presented the March 1, 2022 Meeting Notes.

6. There being no further business, a motion to adjourn was made by Gen. Hankins, seconded by Dr. Tucker, with unanimous approval. The meeting adjourned at 12:21 p.m.

Anita Kelley, Director

Young Boozer, Chair