

**Alabama Trust Fund  
Board of Trustees Meeting  
November 16, 2017  
State Capitol, E-317**

Pursuant to public notice, a meeting of the Alabama Trust Fund Board of Trustees was held on November 16, 2017. The meeting was called to order at 10:00 AM by Vice Chair, Clinton Carter. The roll was called by Secretary Boozer and recorded as follows with a quorum present.

**Present:**

Mr. Clinton Carter, Vice Chair  
Mr. Young Boozer, Secretary  
Mr. Edgar Pruitt  
Mr. Guice Slawson, Jr  
Mr. Daniel Hughes  
Mr. John Hornsby

**Absent:**

Governor Kay Ivey, Chair  
Mr. Sam Upchurch  
Dr. Sandra Sims-deGraffenried

Mr. Boozer welcomed Mr. Hornsby to the Board.

The first decision item was the review and approval of the minutes of August 17, 2017. Upon a motion made by Mr. Slawson, and a second by Mr. Pruitt, the reading of the minutes was dispensed and the minutes were unanimously approved as presented.

Mr. Boozer then reviewed the quarterly financial reports. He noted the Balance Sheet as of September 30, 2017 indicates total assets of \$3.0 billion and an increase of approximately \$12 million for the quarter. Total Capital is \$2.9 billion. The Statement of Revenues and Expenditures indicates total revenues of approximately \$60 million and total distributions of \$30 million. Oil and gas receipts for the quarter were approximately \$11.5 million. The remainder of the financial reports were reviewed and received as information.

Smith Group representatives presented a report on the company's performance. The firm's profile, investment team, beliefs and investment process were reviewed. Smith Group's performance and portfolio composition were also discussed. Smith Group then presented two alternative investment options for small cap growth as well as the benefits of each option.

Ms. West presented the quarterly investment performance measurement report and market overview. Asset allocation was close to the target and no rebalancing was needed. The portfolio has a slight overweight to International Equity. The return for the quarter was a positive 3.47 percent reflecting the benchmark. Small Cap Equity managers and International Equity managers underperformed the benchmark for the quarter. The one-year return was 11.55 percent. Ms. West then reviewed the returns by manager.

Ms. West then reviewed Callan's Multi-Asset Class Strategies including their specialists, diversification risks, benefits of MACs, and their 4 investing categories. Mr. Boozer requested a follow up presentation from Callan for the next meeting to include numbers and scenarios that will also include the recommendations for various asset allocations as requested by Mr. Hughes.

Mr. Boozer gave an update on the Forever Wild Stewardship investment decisions as discussed in the previous meeting. Ms. West made the recommendation to use Western Asset or Fidelity as the fixed income manager and recommended SSgA's equity asset allocation option number two. Motion to approve recommendations made by Mr. Hughes and a second by Mr. Pruitt, the decision was unanimously approved to use Western Asset as the fixed income manager and SSgA's option number two for the equity manager.

On the watch list, Ms. West made the recommendation for Smith Group to remain on the watch list. Motion to approve made by Mr. Hughes and second by Mr. Pruitt, the decision was unanimously approved.

Mr. Boozer discussed possible legislation expected to be introduced in the upcoming legislative session that would impact the Alabama Trust Fund. A proposed resolution was included in the board materials for consideration. Upon a motion by Mr. Hughes and a second by Mr. Pruitt the proposed resolution was unanimously approved as attached.

Ms. West then reviewed the CMT fund quarterly performance. For the quarter, the fund was up 3.28 percent and trailed the benchmark by 19 bps. The one-year number is 11.12 percent trailing the benchmark by 11 bps. Ms. West noted International Equity had a negative effect of 32 bps on the portfolio this quarter.

Under informational items, Mr. Boozer gave an Oil and Gas Board update. Minimal natural gas development is due to lower prices with an annual decline rate of 8.34 percent. Mr. Boozer noted the decline is expected to continue under current conditions.

Under other business, Mr. Boozer presented a resolution for the Board's consideration to formalize the appreciation of Mr. Bielen's outstanding service to the board. Upon motion by Mr. Boozer and a second by Mr. Hughes and Mr. Pruitt the proposed resolution was unanimously approved as attached.

There being no other business the meeting was adjourned.

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Clinton Carter, Vice-Chairman

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Young Boozer, Secretary

Proposed Resolution  
Alabama Trust Fund Board of Trustees

Topic: Legislation Negatively Impacting Alabama Trust Fund

**Whereas**, the Alabama Trust Fund was created in 1985 by Amendment 450 to the Constitution of the State of Alabama as an irrevocable, permanent trust fund, “for the continuing benefit of the State of Alabama and the citizens thereof;” and,

**Whereas**, the Alabama Trust Fund is under the management and control of its Board of Trustees who are empowered to take such actions as necessary, “to accomplish any purpose for which the trust fund was created;” and,

**Whereas**, income earned on the principal assets of the Alabama Trust Fund is a critical source of monies paid into the State’s General Fund to support the essential services of the State, and other entities; and,

**Whereas**, studies of offshore Alabama waters natural gas reserves and resources conducted by the State Oil and Gas Board project an 8.34% annual decline rate of oil and gas capital payments into the Alabama Trust Fund until production is depleted in approximately 2026, effectively eliminating the source of funding for the Alabama Trust Fund; and,

**Whereas**, since 1986, eight amendments and acts have been passed by the Legislature to reduce the principal of the Alabama Trust Fund, to reduce the income earning potential of the Alabama Trust Fund, and to divert trust income from the State’s General Fund; and,

**Whereas**, proposed legislation withdrawing monies from the Alabama Trust Fund would cause further damage to the Alabama Trust Fund, and subsequently to the State’s General Fund, due to decreased income earnings in the current year and for every year thereafter in perpetuity; now therefore,

**Be it resolved**, that at the meeting of the Alabama Trust Fund Board of Trustees held on November 16, 2017, the present members unanimously expressed objection to any proposed legislation that negatively impacts the Alabama Trust Fund and disavows the original stated purpose of the Alabama Trust Fund; and,

**Be it further resolved**, that the Trustees request that this resolution be distributed to the members of the Alabama Legislature on or before January 9, 2018.

Resolution by the  
Alabama Trust Fund Board of Trustees  
November 16, 2017

WHEREAS, Mr. Richard Bielen has served as an Alabama Trust Fund Board of Trustees member since November of 2003; and

WHEREAS, he earned a Master of Business Administration and Bachelor of Science degree from New York University and has 29 years of experience in the financial services industry; and

WHEREAS, Mr. Bielen joined Protective Life Corporation in 1991 when he was responsible for the company's Securities portfolio. He became Chief Investment Officer and Treasurer in 2002, Vice Chairman and Chief Financial Officer in 2007 and was recently named President and Chief Executive Officer; and

WHEREAS, he was appointed by multiple Governors of Alabama and has faithfully and enthusiastically served as a member of the Alabama Trust Fund Board of Trustees; and

WHEREAS, Mr. Bielen has over all his years of service fought to preserve and protect the Alabama Trust Fund, the state's most valuable financial asset;

BE IT RESOLVED, that the Board of Trustees commends Mr. Richard Bielen and expresses its deepest appreciation for his dedication to Alabama Trust Fund.

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Young Boozer  
State Treasurer and Secretary  
Alabama Trust Fund