

**Savings Board of Directors Board Meeting  
August 19, 2020  
MINUTES**

**Board Present:**

Chair John McMillan  
Ms. Heidi Lee  
Ms. Susan Tully  
Mr. Ronald Stokes  
Dr. Ken Tucker  
Mr. Edward Reifenberg  
Dr. Jim Purcell  
Ms. Sara Calhoun for Mr. Jimmy Baker

**Board Absent:**

Mr. Jack Knight  
Lt. Gov. Ainsworth  
Mr. Daniel Hughes

**Others Present:**

Ms. Daria Story, Assistant Treasurer  
Ms. Anita Kelley, Program Director  
Ms. Brittany Carter, External Affairs  
Mr. Jay Steinacher, Union Bank & Trust  
Ms. Cari Kaup, Union Bank & Trust  
Ms. Annoesjka West, Callan  
Mr. Todd Carabasi, Callan  
Mr. Rob Noe, Wilshire Associates  
Mr. John Nagle, Wilshire Associates  
Ms. Rachel Biar, Enable Savings Plan Alabama  
Ms. Deborah Goodkin, Enable Savings Plan Alabama

Pursuant to written and public notice, the meeting of the Savings Board of Directors was held on August 19, 2020. In accordance and compliance with Governor Ivey's first supplemental Statement of Emergency dated March 18, 2020, the meeting was held by video conference with access posted on the Secretary of State's meeting notice in order to allow the public to listen to, observe or participate in the meeting.

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

Roll was taken with a quorum present.

Chair McMillan presented the minutes of the May 20, 2020 Board meeting. A motion for approval was made by Ms. Lee, seconded by Dr. Tucker, with unanimous approval.

Chair McMillan called on Deborah Goodkin and Rachel Biar to present the quarterly report for the Enable Savings Plan. Ms. Goodkin presented numbers on the total assets and

accounts. She stated that as of 06/30/20 there were \$1,981,433 in assets and 318 active accounts and showed the breakdown in which the assets have been invested and the investment returns. Ms. Goodkin gave information on the contributions and distributions made over the past quarter. She also talked about the various webinars and virtual communications the program has engaged in. The report was received as informational.

Chair McMillan called on Anita Kelley to give the program report for CollegeCounts. Ms. Kelley stated that the contract with Union Bank and Trust was finalized in July along with the updated program disclosure statements. The launch for the folders for first graders has been delayed until next fall due to many school systems holding virtual class. She provided information on the 2020 budget and discussed a spreadsheet showing the Statement of Cash Flows for the scholarship program that showed the balance in the account was \$13,387,432 as of 06/30/20. The written report was received as informational.

Chair McMillan called on Rob Noe and John Nagle 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 06/30/2020. He stated that equities are rebounding strongly but are still down 3.30% for the year. He provided a second quarter performance summary of individual fund portfolios for both the Direct and Advisor Plans and discussed fund performance. He stated that the target portfolios for both Plans posted strong absolute and relative returns and that most outperformed their benchmarks. He stated that nearly all active fixed income managers outperformed during the quarter with PIMCO, Fidelity and PGIM all notably outperforming their benchmarks. Mr. Noe also highlighted DFA strategies and said the DFA Large Cap Value and Small Cap Value strategies considerably outperformed their benchmarks. Active international equity managers outperformed as well with Dodge & Cox, Neuberger Berman and Vanguard Emerging Markets significantly outperforming their benchmark. Mr. Noe also discussed notable underperformers including T. Rowe Price QM Small Cap Growth Fund, William Blair Small Cap Value fund and Templeton International Bond Fund. The written report was received as informational.

Chair McMillan called on Annoesjka West and Todd Carabasi with Callan to present the consultant's report. Ms. West discussed the Templeton International Bond Fund due to questions raised by Mr. Hughes at the last board meeting. Ms. West stated that this strategy represents a solid choice for investors seeking an aggressive international fixed income option with significant emerging markets exposure with a long-term horizon as results may be volatile over shorter periods. She said that with the recent departure of a senior research analyst as well as the announcement that the firm would be acquiring Legg Mason combined with the recent underperformance warrants a cautionary status. Ms. West stated that the Board should consider other investment options that are more suitable. Mr. Carabasi discussed the Watch List. He stated there were no new funds to be added or any to be removed from the Watch List at this time and that Callan recommends the DFA U.S. Small Cap Value fund (Direct Plan), the Dodge & Cox International Stock Fund (Direct Plan), the Touchstone High Yield fund (Advisor Plan), the American Century Short Duration Inflation Protection Bond fund (Advisor Plan), the William Blair Small Cap Value fund (Advisor Plan), Templeton Global Bond fund (Advisor Plan), and the DFA Large Cap Value fund (Advisor and Direct) remain on the Watch List. A motion to approve the Watch List was made by Mr. Reifenberg, seconded by Ms. Lee, with unanimous approval.

Mr. Carabasi discussed the Touchstone High Yield Fund regarding underperformance and stated the fund has lagged the benchmark for almost four years and ranks in the 72<sup>nd</sup> percentile among peers. Ms. West recommended that Wilshire research alternative funds to replace the Templeton Global fund and the Touchstone High Yield fund and present them at the November Board meeting. Wilshire agreed with the recommendation and will present alternative funds to be considered by the Board at the next meeting. The written report was received as informational.

Chair McMillan called on Jay Steinacher and Cari Kaup with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 100,349 active accounts with total assets in the plan of \$1.93 billion. This represents a 13.7% increase for the quarter and a -0.3% YTD. He stated the number of Alabama account holders is 61,803 with \$1.2 billion in plan assets. This is a 15% increase for the quarter and 2% YTD. Mr. Steinacher said YTD contributions were \$93.3 million of which rollover contributions were \$12.05 million. Ms. Kaup provided additional information on contribution, withdrawal and investment change activity. She also discussed the most common topics account holders and advisors are contacting the call center about. The written report was received as informational.

Chair McMillan called on Daria Story to discuss the Morningstar Landscape Report, the rating enhancements as well as the annual RFI. Ms. Story stated that Morningstar has modified their rating methodology. Performance has been removed from the rating pillars. The four remaining pillars are weighted as 30% People, 30% Process, 30% Price and 10% Parent. She said that the Treasurer's office, Union Bank and Trust, Wilshire and Callan have been working on the RFI response and that the annual call with Morningstar is scheduled for September.

Chair McMillan called on Anita Kelley regarding the Kiplinger Letter. Ms. Kelley stated the letter discusses the impact of Covid 19 on all areas of higher education.

Chair McMillan called on Anita Kelley to discuss the Enable Alabama contract. Ms. Kelley said that the contract will expire on 6/30/21 and First National Bank of Omaha is leaving the ABLE business and as a result, there will be a change with the Enable Alabama program. She stated that Nebraska recently issued an RFI and included Alabama. The responses are due back on 8/28/20. Information regarding the different options will be presented to the Board at the November Board meeting.

There being no further business, a motion to adjourn was made by Dr. Tucker, seconded by Chair McMillan, with unanimous approval. The meeting adjourned at 10:04 a.m.

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Anita Kelley, Director

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John McMillan, Chair